Russian giant

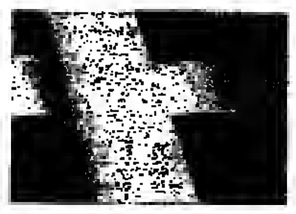
Plotting a future for Gazprom

Page 15

Jack of all trades

Virtual reality's new inhabitants

Page 10



Sweden's budget

Keeping the markets happy

Page 3

Mexican fallout

Hard times ahead for Zedillo

Page 5

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JANUARY 10 1995 — D8523A

QE2 passengers plan £40m class action over cruise

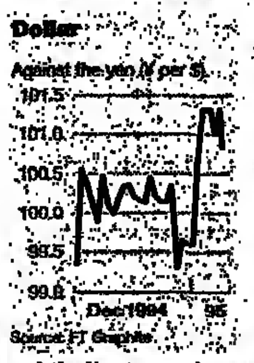
A group of passengers who travelled on the Queen Elizabeth 2's ill-fated Christmas cruise to the US is to press ahead with a £40m ($62m) legal action in New York despite the offer of a £7.5m compensation package to all passengers affected by the ship's problems. Prof Christine Hall, a Florida law professor said she and other passengers planned to file a class action suit in New York. Grounds for a claim could include safety issues as well as the discomfort and distress caused by the lack of satisfactory accommodation. Page 16

Saatchi executives resign: Charles and Maurice Saatchi sold their Saatchi & Saatchi shares last week, just days before the resignations of three senior executives in the advertising group, which were announced yesterday and precipitated an 11 per cent fall in its share price. Page 16

Samsung may build US chip plant: Samsung Electronics, the South Korean producer of memory chips, is considering establishing a semiconductor plant in the US by 1998, at a cost of up to $1bn. Page 16; S Korea under fire on dumping, Page 6

Two leave IBM in shake-up: Big organisational changes at International Business Machines and a shake-up in top management, including the resignation of two of the company's best known executives, were announced by chairman and chief executive Lou Gerstner. Page 17

Dollar dips against D-Mark, yen



The dollar dipped against the D-Mark and the yen following comments from US officials about the US-Japan trade summit and the US trade deficit. The dollar ended in London at Y100.815, but breached the Y100 level after the close, dipping as low as Y99.63. Against the D-Mark it slipped two pfennigs after the close to DM1.5822. Political instability in Spain and Italy drove the peseta and the lira to new lows against D-Mark. Fears that Italian government debt might be downgraded also affected the lira. Currencies, Page 32; Death squad claims dog Madrid, Page 2

US call for non-union employee schemes: The US Congress should "clarify" American labour law and allow companies to develop non-union employee participation schemes in the workplace, according to the Clinton administration's special commission on labour policy. Page 5

Banco Comercial Português launched a second bid for Banco Português do Atlântico, Portugal's second-largest bank, offering Es300.3bn ($1.88bn) for 100 per cent four months after an earlier offer was vetoed by the government. Page 17

British Telecommunications, the UK's dominant telecoms operator, is expected to announce today a strategic alliance with Munich-based utilities group Viag. Page 17

Airbus overtakes Boeing: Airbus Industrie, the European aerospace consortium, won more aircraft orders last year than Boeing of the US, the first time it had attracted more orders than its US rival. Page 5

French setback on film imports: France appeared to have lost its attempt to force through tougher rules limiting the import into Europe of foreign films and cheaper US-made television programmes. Page 2

Japan-US cable TV venture: Five Japanese and US companies are linking up in a $400m venture to establish a cable TV operator, Titus, for new broadcast and communications services in Japan. Page 6

Algerian opposition parties meet: Algeria's three main opposition parties and other smaller groups are holding talks in Rome this week in an effort to revive dialogue and lure the army-led government back to negotiations. Page 4

Kashmir abuses raise concerns: US human rights activists are urging US commerce secretary Ron Brown to express concern publicly about tortures, killings and detentions in Kashmir and other abuses during his trade and investment mission to India next week.

Peter Cook, British comedian, died in London from a gastro-intestinal haemorrhage, aged 57. Cook spearheaded Britain's modern satire boom and was the largest shareholder in satirical magazine Private Eye. Obituary, Page 13

■ STOCK MARKET INDICES

FT-SE 100:	3,066.8	(-8.2)
Yield	4.22	
FT-SE Eurotrack 100	1,323.64	(-3.75)
FT-SE-A All-Share	1,516.59	(-0.2%)
Nikkei	19,444.92	(-74.54)
New York: lunchtime		
Dow Jones Ind Ave	3,861.68	(-5.72)
S&P Composite	460.45	(-0.23)

■ US LUNCHTIME RATES

Federal Funds:	5½%
3-mo Treas Bills: Yld	5.933%
Long Bond	95⅝
Yield	7.901%

■ LONDON MONEY

3-mo Interbank	6⅞%	(same)
Liffe long gilt future:	Mar 100⅜	(Mar 101⅜)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$16.35	(16.7)

■ GOLD

New York Comex Feb	$374.0	(372.2)
London	$373.0	(375.75)

■ STERLING

New York lunchtime:		
$	1.563	
London:		
$	1.5545	(1.5535)
DM	2.4154	(2.4194)
FFr	8.341	(8.3502)
SFr	2.026	(2.0306)
Y	156.712	(157.357)
£ Index	79.5	(79.6)

■ DOLLAR

New York lunchtime:		
DM	1.537	
FFr	5.3055	
SFr	1.288	
Y	99.95	
London:		
DM	1.5539	(1.5575)
FFr	5.3669	(5.3753)
SFr	1.3034	(1.3072)
Y	100.815	(101.295)
$ Index	63.4	(63.5)
Tokyo close Y 101.15		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	SK31.60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es330	Turkey	L40,000
Germany	DM3.30	Lux	LFr70			UAE	Dh12.00

Mexico uses emergency credit to support peso

By Ted Bardacke in Mexico City, Stephen Fidler in London and Lisa Bransten in New York

Mexico announced yesterday it had drawn on an emergency credit line from the US and Canada and called in the US Federal Reserve to support the Mexican peso.

In the latest development in a financial crisis triggered by the devaluation of the peso three weeks ago, the Mexican central bank also indicated it had spent $1bn (£600m) last week to support the peso and meet foreign currency debts.

Tha peso recovered yesterday after having fallen almost 40 per cent in three weeks to record lows on Friday.

The Banco de Mexico said it had drawn $500m from the US Federal Reserve and C$83m from the Bank of Canada in order to buy pesos. It further announced a fall of more than $500m in international reserves over the last week, to $5.546bn. The central bank has a total of $10bn available from the US and Canada, part of a recently established $18bn support package.

The Federal Reserve Bank of New York said its intervention had been "at the request of and for the account of the Banco de Mexico". The "operations are consistent with the efforts of the US monetary authorities to assist Mexico in responding to recent financial developments."

Zedillo's economic woes may turn to political ones........Page 5
Currencies........Page 32

A Fed spokeswoman said its intervention – which traders estimated at some $100m – was over and above that accounted for in the figures announced by the Mexican government. She said such intervention was "unusual" but would not confirm it was unprecedented.

Mr Enrique Vilatela, head of Mexico's national bank for foreign trade, said on a visit to London to win backing for the government's emergency economic programme, that most of the pressure on the peso derived from "short-term financial liquidity issues."

He said some Mexican banks were facing liquidity problems because some dollar-denominated bank liabilities, including certificates of deposits and lines of credit, had not been renewed.

The effectiveness of the authorities' attempts to shore up the peso has also been limited by the redemption of expiring *tesobonos* – short-term dollar denominated debt issued by the central bank. Another $684.7m in *tesobonos* comes due this week. in an attempt to increase confidence in the banking system, the Banco de Mexico also announced that it will increase funding to the bank savings insurance fund.

In an additional move designed to keep investors in the peso, the central bank increased rates for Cetes – short-term peso-denominated central bank debt paper – on the secondary market to 50 per cent, 20 percentage points above last week's rates. At mid-day the peso was trading at 5.4 pesos to the dollar, against 5.7 at Friday's close, while the Mexican stock market was down 3.67 per cent as investors abandoned equities for the more lucrative money market.

Warburg pulls out of Eurobonds after losses

Move a setback in bank's effort to compete globally

By John Gapper and Richard Lapper in London

S.G. Warburg, the UK investment bank, announced yesterday it was pulling out of the Eurobond market created 30 years ago by its founder Sir Siegmund Warburg.

The move, following the collapse of its merger talks with Morgan Stanley, is the biggest setback Warburg has suffered in a decade in its effort to compete globally with US investment banks. It will lead to the loss of about 180 jobs, adding to recent cuts by US investment banks.

The operations Warburg is closing lost about £20m ($31m) including overheads in volatile markets in the six months to September 30, 1994. Warburg hopes to save £25m annually in expenses, but will have to pay an estimated £5m in redundancy.

Lord Cairns, Warburg's chief executive, said it had dacided "significant changes" were necessary to produce acceptable financial returns, and the bank would concentrate on equity, corporate finance and asset management activities.

He insisted that its strategy of competing as a global investment bank remained intact after yesterday's move, and it would compensate by strengthening activities in other areas. The closure of some bond operations would result in a one-off release of about £125m of capital.

Losses from bond trading, and the cost of its bond selling operations in Europe, were among the factors behind a collapse in Warburg's profits from investment banking activities to only £5.5m in the six months to September 30.

Warburg will still issue sterling bonds on behalf of UK companies and sell them to domestic investors. But it is closing international sales operations, which have sold UK corporate and government bonds to foreign investors. This means it is in effect withdrawing from the market in Eurobonds, which are sold and traded offshore. The market was inaugurated by Warburg with a $15m issue in 1963.

Redundancies........Page 7
Lex........Page 16
Cold logic wins out at Warburg........Page 18

Yesterday's decision further reinforces the dominance of US banks in issuing and trading international bonds. Some 60 per cent of the $400bn of bonds issued annually is denominated in dollars, and mainly sold to US investors. The move comes less than a month after Warburg

Continued on Page 16

Pilgrims overload a train heading for Tungi, Bangladesh, yesterday on the way to the biggest annual Moslem gathering outside Mecca. More than 1m Islamic devotees from 70 countries converged on the banks of the Turag river for the three-day event, known as the Biswa Itejma, during which prayer leaders called for an end to attacks on Moslems in Bosnia and Chechnya Picture: EPA

Russian PM calls for Chechen truce

By John Thornhill and Chrystia Freeland in Moscow

Mr Viktor Chernomyrdin, Russia's prime minister, yesterday called for the government to begin negotiating a truce with rebel forces in Chechnya, as Russian troops tightened their grip on the capital, Grozny.

The truce proposal came as Mr Willy Claes, the Nato secretary-general, called on Russia to halt its "violence against the Chechen people". He said closer relations with the western alliance put an obligation on Russia to "respect human rights".

International pressure on Russia and President Boris Yeltsin increased as Denmark threatened to block a European Union co-operation pact because of the violence in Chechnya.

Mr Chernomyrdin, the second-ranking official in Russia, has kept a low profile during the Chechen crisis. Press reports say he has opposed the military operation at meetings of Russia's powerful security council. If his proposal is successful, it would be hailed as a victory for moderates within the Russian leadership.

Mr Chernomyrdin was authorised last week by the security council to oversee Chechnya once the fighting is over.

According to Mr Sergei Yushenkov, chairman of Russia's parliamentary defence committee, Mr Chernomyrdin urged the military to begin negotiating a two-day truce. "It could lead to the beginning of the negotiating process," Mr Yushenkov said.

But Mr Chernomyrdin's peace efforts came as Russian troops stepped up efforts to crush opposition in Grozny by sending in fresh forces. Despite suffering heavy casualties, Chechen rebels appeared to be holding large parts of the capital last night.

Yesterday morning, officials in the neighbouring republic of Ingushetia reported that more than 75 tanks drove through the region on the way to Chechnya. Reporters in Grozny said the centre of the city came under artillery and mortar fire with many buildings reduced to rubble.

The location of Mr Dzhokhar Dudayev, the Chechen president who declared the region's independence from Russia three years ago, was unknown yesterday. But a senior Russian official said that whatever Mr Dudayev's fate, Moscow was preparing itself for a guerrilla war following the fall of Grozny.

The government is certain to

Continued on Page 16

GrandMet in surprise $2.6bn bid for US food group Pet

By Roderick Oram, Consumer Industries Editor

Grand Metropolitan of the UK took a further step yesterday towards becoming a global food and drinks group with a £1.7bn ($2.6bn) recommended bid for Pet, a US company best known for its Old El Paso Mexican food brand.

Analysts in London acknowledged the logic of the deal, but GrandMet's shares closed down 26½p at 378p because of concerns over the short-term financial impact of the acquisition.

The unexpected $26-a-share bid also revived long-standing uneasiness about the fondness of GrandMet under Lord Sheppard, its chairman, for the deal making and innovative financial structures which have transformed it from a hotels and brewing group.

"Were it any other company doing the deal, the shares would have been flat or slightly ahead," a leading London analyst said.

GrandMet is paying about 21 times Pet's earnings, or twice sales, for the year ended last June. This is broadly in line with other recent US food deals. GrandMet's net debt will rise from £2.2bn to £3.3bn, in spite of generating £1bn from recent refinancings and disposals. Its debt-to-equity gearing will rise to about 100 per cent but its interest cover will remain just over five times.

Analysts, who believe the deal will slightly dilute earnings in the current year, marginally downgraded their GrandMet forecasts for the next few years because of other adverse factors such as exchange and tax rates. The shares were also hit by going ex-dividend on an 11p a share gross payout.

The board of Pet, based in St Louis, Kentucky, recommended the bid for the "outstanding value" it offered its own shareholders and the benefits that ownership by a larger company would bring. GrandMet, for example, plans to increase Pet's marketing spending.

Pet's advisers asked GrandMet in mid-December if it was interested in making a bid.

The chances of a counter-bid were rated at no more than 25 per cent by Mr Les Pugh, Salomon Brothers food analyst in New York. Pet's shares, which had traded around the high teens for most of last year, were up $5⅞ at $25⅞ in early afternoon New York trading.

If the tender offer, which opens tomorrow and closes on February 9, is successful, GrandMet's Pillsbury division will rise from the 14th to seventh largest US food group. Food sales as a percentage of GrandMet sales will rise five percentage points to 61 per cent and operating profits will rise six points to 55 per cent.

Lex, Page 16; An expensive Pet, Page 17; Capital markets and International Bonds, Page 22

CONTENTS

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Markets unnerved by reports of clandestine payments

Death squad claims still dog Madrid

By Tom Burns in Madrid

The Spanish government's attempts to distance itself from a growing scandal over its alleged involvement in a death squad suffered a blow yesterday when a Madrid newspaper revealed details of payments totalling Pta200m (£962,500) to two former policemen jailed for their part in an undercover war against Eta Basque separatists in the mid-1980s.

The payments were reported in El Mundo, the Madrid newspaper which has led media probes into the so-called GAL (anti-terrorist liberation groups) death squad. It alleged that following the arrest of the two former policemen in 1988, their wives were instructed by Madrid's interior ministry to open bank accounts at a branch of Union de Banque Suisse in Geneva, into which payments were made.

The new twist to the GAL scandal, as the legal probe broadens to include cover-up allegations, brought a fresh wave of nervousness to the Madrid markets. The general index of the Madrid bolse closed at 279.59 to fall below the 1994 low. The peseta, apparently unaffected by a rise in the Bank of Spain's key money rate last week, was fixed at Pta85.76 against the D-Mark, up on the previous fix on Thursday last week of Pta85.26, after rising to Pta86.15 in midday trading.

The debt markets were also hit as 10-year bonds rose to yield a new high of 12.11 per csnt against German long bonds, representing a spread of 440 points. The Treasury said it would, later this week, dispose of Ecu3bn (£2.36bn) from an Ecu6bn standby credit line arranged last year, indicating uncertainty over its ability to roll over some Pta5,100bn in bonds and Treasury bills due to mature over the next 90 days.

According to the El Mundo report, the wives of Mr José Amedo and Mr Michel Domínguez, former members of a police intelligence unit in the Basque city of Bilbao, met senior officials of the interior ministry on four occasions in Geneva between 1989 and 1991 and received a suitcase containing Pta50m at each meeting. El Mundo published a bank statement allegedly showing the first of the payments.

The newspaper's detailed allegations suggest that Mr Baltasar Garzón, the Madrid high court judge who is investigating the GAL scandal, is collecting increasingly damaging evidence against Prims Minister Felipe González's government in connection with the death squad. Mr González, who has rejected opposition calls for his resignation, has insisted his government acted within the limits of the law against Eta terrorism and bears no responsibility for GAL.

However, market sentiment has turned strongly against the prime minister, whose government has been battered by several political scandals in recent months.

"The feeling is that people want elections to clear the air as in Italy and they fear that, with González hanging on to power, 1995 will be a lost year for the Spanish markets", said Mr Paul Farrow, chief analyst of securities house Ahorro Corporación Financiera.

Mr Amedo and Mr Domínguez were released from prison last month after incriminating their superiors in the GAL scandal. Judge Garzón, who, according to El Mundo, has issued instructions to freeze the UBS bank accounts opened on behalf of the two former police officers, remanded three former senior security chiefs in custody before Christmas.

Paris faces setback on film imports

By Lionel Barber in Brussels

France yesterday appeared to have lost its attempt to force through tougher rules limiting the import into Europe of foreign films and cheaper US-made television programmes.

The likely setback followed an opinion by the legal service of the outgoing European Commission which cautioned the executive body against taking formal decisions in its "lame-duck" period which lasts until January 25, when a new Commission headed by Mr Jacques Santer takes office.

The legal opinion is expected to be endorsed at a meeting of the Commission tomorrow chaired by Mr Jacques Delors, outgoing president. However, the French government is likely to pursus with the Santer Commission its campaign for tighter quotas on the broadcasting of non-European material in the EU.

The Commission's legal opinion raises questions whether the French-led campaign to ram through tighter controls on non-European broadcasting materials in the dying days of the Delors Commission has backfired. "The French marched their troops to the top of the hill, and now it looks like they are going to have to march them down again," said one Commission official.

Yesterday the Paris government dispatched Mr Nicholas Sarkozy, budget minister, and Mr Jacques Toubon, culture minister, to lobby Mr Delors and fellow commissioners. But the ministers were informed that the caretaker Commission could only take decisions on urgent matters or when failure to act would cause damage, according to a Commission spokesman.

The broadcasting controversy revolves around proposed revisions to the 1989 Television Without Frontiers directive which requires at least 51 per cent of material shown by European channels to be of European origin "where practicable".

The French want the 51 per cent to be binding on all 15 member states of the Union. Late last year they supported proposals by Mr João de Deus Pinheiro, outgoing EU audiovisual commissioner, to remove the loophole "where practicable" and to extend the rules to new electronic screen-based services.

However, the proposals provoked opposition from more liberal-minded commissioners. Mr Pinheiro backtracked and came up with modified proposals which would require broadcasters to either ensure that at least 50 per cent of their programmes screened were European-made, or to invest a certain proportion of their budgets in European productions.

Last week the Delors Commission deferred a decision on the latest proposals beyond last Friday, when its official mandate expired. Attention now turns to Mr Marcelino Oreja, the outgoing Spanish transport commissioner who takes over Mr Pinheiro's portfolio later this month. He faces Hollywood industry lobbyists and commercial television companies in Europe, all of whom are opposed to tighter quotas.

Dark horse in French race for presidency

Philippe de Villiers is certain to widen splits on the political right, writes John Ridding

Any hopes that the delicate issues of European integration, corruption and immigration could be pushed under the carpet during the French presidential election campaign this year have been swept aside following the declaration by Mr Philippe de Villiers, the aristocrat and Eurosceptic, that he would run for the Elysée.

After announcing his candidacy on national television on Sunday evening, Mr de Villiers launched a broadside against his principal targets. He attacked European monetary union, pledging that "France will not be governed from Frankfurt". He warned of a wave of immigrants from the Algerian civil war and demanded a clean-up of French business and politics following a spate of corruption scandals.

Yesterday, Mr de Villiers turned his fire on the government's failure to reduce unemployment, now standing at 3.3m. He spelled out a strategy of sharp cuts in income and payroll taxes and an accelerated privatisation programme.

"The economic policies of the past 20 years have failed", he said.

Mr de Villiers' candidacy will widen the splits on France's divided political right. Mr Jacques Chirac, the Gaullist mayor of Paris, is already campaigning, as is Mr Jean-Marie le Pen, the leader of the extreme right Netional Front. Mr Edouard Balladur, the Gaullist prime minister and frontrunner in the polls to succeed President François Mitterrand, is expected to announce his candidacy this month, probably as soon as next week.

Mr de Villiers could draw supporters from all of them. His anti-Maastricht movement, which was backed by Sir James Goldsmith, the financier turned politician, won 12.4 per cent of the votes in last June's European elections. The support, almost matching that of the Socialist party, reflected increased concerns about European integration, free trade and social problems relating to immigration.

Mr Chirac, struggling in the polls, is expected to be the biggest loser from Mr de Villiers' decision to run. The mayor has made overtures to Eurosceptics, issuing, for example, a call for a referendum on European monetary union. He has since retracted that call, but is still seeking to outflank Mr Balladur on the issue.

Mr Le Pen is also likely to see support drift to the new arrival. The aristocratic background of Mr De Villiers – full name Philippe Jolis de Villiers de Saintignon – and his education at the elite Ecole Netionale d'Administration, make him "the acceptable face of the far right", according to one observer.

The unflappable Mr Balladur may also be irked by Mr de Villiers' candidacy. The latest Elysée hopeful described the premier's period of cohabitation with the Socialist President Mitterrand as a time of "connivance" and he attacked Mr Balladur for having wasted the opportunities presented by the right's sweeping victory in the 1993 parliamentary elections.

Mr de Villiers' anti-corruption crusade could also harm Mr Balladur. The prime minister has lost three cabinet ministers to corruption scandals, including Mr Gérard Longuet, the former industry minister and a powerful ally of Mr Balladur. The scandals seem set to continue, following last weekend's charges against Mr Jean-Pierre Thomas, treasurer of the Republican party, one of the largest elements in the ruling coalition.

Members of the ruling centre-right coalition yesterday played down the threat from Mr de Villiers. "I don't see why he is standing when he has no chance of winning", said Mr François Léotard, the defence minister. Aides to Mr Balladur pointed out that Mr de Villiers has scored a maximum of 5 per cent in recent polls and added that the absence of a strong Socialist candidate limited the threat of divisions on the right.

Many observers argue, however, that Mr de Villiers could prove an important power-broker in tha second round of the presidential elections. His emphasis on French sovsreignty and the dangers of free trade strikes a chord with a wide sector of public opinion, from traditional conservatives to the unemployed.

The aristocrat from the western Vendée region has also tended to surpass expectations. In addition to last June's European elections, he was one of the principal French opponents of the Maastricht treaty which squeaked through by a surprisingly small margin in a 1992 referendum.

"Hs has pulled surprises before", said a Paris university professor. "He needs to be treated with care."

Philippe de Villiers: 'economic policies have failed' Reuter

Radio station defies regulator

By Andrew Jack in Paris

A French radio station played on in defiance of an attempt by a government-backed body to stifle it yesterday in one of the toughest battles in recent years over national broadcasting regulation.

Skyrock, a national music radio station, was ordered to stop broadcasting for 24 hours from midnight on Sunday night by the Conseil Supérieur de l'Audiovisuel (CSA), the French regulator for radio and television.

The order was designed as a rebuke following insensitive and inflammatory comments broadcast repeatedly by Skyrock when it reported the shooting of a policeman in Nice last week.

The CSA decision has split the French establishment, which is angered by the provocative comments made by employees of the radio station and yet indignant at the infringement of free speech.

It has also served to highlight the social problems of many of France's suburbs and the tensions between the police and young people in these areas.

In place of silence on the airwaves yesterday, Skyrock attempted to obey the letter rather than the spirit of the CSA ban by broadcasting dozens of messages – largely of support – phoned in by listeners. It dubbed the programme "free radio against violence and in favour of freedom of expression".

Writing in yesterday's Le Monde newspaper, Professor Dominique Rousseau, a lawyer at the University of Montpellier, called the CSA "a judicial monster which made a monstrous decision in suspending the 'monsters' of Skyrock".

The trouble started when Skyrock's broadcasters heard of the shooting of a policeman in a battle between gangs allegedly involved in drug-dealing in a Nice suburb. "A cop's been killed, that's a good piece of news," one said, in a comment repeated several times.

Mr Pierre Bellanger, chairman of Skyrock, said at the weekend that the CSA's ruling was "disproportionate" and claimed it had never before taken such an extreme measure in spite of more controversial remarks broadcast on more mainstream media.

However, he stressed that the station had made a mistake, apologised and sanctioned the broadcasters involved.

The CSA confirmed it had never suspended a radio station for a breach of its code of conduct, and said it was still deciding on whether to take further action today.

Eight people have been placed under examination in Nice in connection with the shooting incident, which is reported to have taken place when gangs of gypsies and north Africans clashed. Two people, one aged 16 years and the other 24, have been charged with murder.

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Czechs take steps to currency convertibility

By Vincent Boland in Prague

The Czech Republic's monetary authorities yesterday said they were taking steps to make the koruna fully convertible under International Monetary Fund guidelines, possibly by July 1.

But the National Bank ruled out an imminent revaluation of the currency.

As speculation mounts about a revaluation of the Czech currency to curtail large inflows of speculative foreign capital, much of it betting on a rise in the value of the koruna against leading convertible currencies, the bank said the fixed exchange rate would remain in place for the time being.

Mr Jan Vit, a vice-governor of the CNB, said there was "no very visible undervaluation" in the koruna against the dollar and D-Mark. He cited as evidencs modest growth in exports last year of 5 per cent. If the koruna were undervalued, he said, the rise in exports should have been higher.

"For the time being we want to keep the exchange rate stable," Mr Vit said. "One of the cornerstones of our economic policy is a fixed nomiual exchange rate. We don't feel any impetus for a change in this."

But commenting on an expected rush of foreign investment this year similar to the \$3bn (£1.9bn) the country received last year, Mr Vit added: "We cannot exclude that in future it will be necessary to adjust the exchange rate. Everything depends on the volume of inflows."

The koruna is currently fixed on a daily basis against a basket of the D-Mark and dollar. Mr Vit said a widening of the band against which the koruna fluctuates against the basket, from its current 0.5 per ceot to at least 2 per cent, which wonld increase the interest rate risk of investing in the currency, was one option being examined to curtail speculative inflows.

Analysts In Prague consider the koruna to be undervalued by an average of 2 per cent. Widening the fluctuation band would almost certainly mean the value of the koruna would rise by the maximum limit allowed, rendering it "an indirect revaluation", Mr Vit said.

Instead, in a significant step towards full convertibility, the bank is drafting new foreign exchange regulations that will lift most remaining restrictions on capital movements. Mr Vit said the CNB wanted to achieve full convertibility as soon as possible. "The question is not if there will be full convertibility, but when and how," he said.

The new regulations, which the CNB expects to submit to the cabinet early next month, will allow Czech citizens to open accounts abroad, will liberalise investment in the Czech Republic for residents and non-residents, and will allow for the free import and export of capital. Some restrictions will, however, remain on foreign portfolio investment.

Mr Vit said the CNB hoped the regulations, which must be approved by parliament, would be in force by July 1, after which the koruna "will be fully convertible in accordance with Article 8 of the International Monetary Fund's guidelines".

Convertibility of the koruna is being strongly resisted by Czech sxporters, and a similar move late last year by the CNB was rejected by the government.

Analysts predict the currency could rise in value against the dollar and D-Mark by as much as 4 per cent after full convertibility, driving up the cost of Czech goods abroad.

The government is also fearful of the consequences and has backed exporters' calls for maintaining the fixed exchange rate for as long as possible. However, with the country hoping to apply for membership of the European Union next year, a convertible currency is seen as a necessity soon.

Mr Vit ruled out adopting emergency measures such as taxing speculative inflows to control money supply growth, though he said they could be introduced if existing measures were ineffective.

Tha CNB estimates that 30-50 per cent of last year's inflows were "portfolio or speculative investment". As a result, money supply grew by an estimated 20 per cent against the bank's original target of 15 per cent, threatening its cherished inflation target of a maximum of 10 per cent.

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Lira sinks amid Rome talks

The Italian lira sank to a record low of L1,052 against the D-Mark last night within hours of talks between Mr Silvio Berlusconi, Italy's outgoing prime minister, and President Oscar Luigi Scalfaro about the country's political crisis. News agency reports that Standard & Poor's, the US credit rating agency, had put Italy's debt rating "under observation" were the immediate trigger for renewed selling of the lira, which had opened trading at L1,046.10. S&P made clear, bowever, that there were no immediate plans to downgrade the rating, which already took account of market instability and Italy's troubled public finances.

President Scalfaro will today renew his formal negotiations with Italy's main political parties way on the crisis, precipitated before Christmas wben Mr Berlusconi resigned as premier. The right-wing coalition – weakened by the withdrawal of support by Mr Umberto Bossi, head of the populist Northern League – is demanding new elections, a solution which investors fear could prolong uncertainty. *Andrew Hill, Milan*

Hurd to warn on Bosnia arms

Mr Douglas Hurd, the UK foreign secretary, will visit Washington early next week to urge US congressional leaders not to go ahead with their plans to force a lifting of the arms embargo against Bosnia. In recent weeks, Congress and the US administration have moved in opposite directions over Bosnia, with legislators insisting on a tougher attitude to the Serbs and the executive softening its position. Mr Richard Holbrooke, the US assistant secretary of state for European affairs, sparked controversy by saying in Sarajevo yesterday that the international peace plan should be accepted as a "basis for negotiations". Mr Haris Silajdzic, the Bosnian prime minister, interrupted him to say: "That is your position, Mr Holbrooke, but for Bosnia-Hercegovina the plan was 'take it or leave it'."

In Zagreb, Mr Yasushi Akashi, the top United Nations envoy to former Yugoslavia, urged the Serbs to comply fully with the terms of a four-month truce agreement. He was speaking after talks with Mr Ejup Ganic, the Bosnian vice-president, who warned that the truce could collapse unless the UN insisted on full compliance, including the opening of key roads to Sarajevo. *Bruce Clark and Laura Silber*

Drug cartel used Dutch bank

ABN Amro, the Dutch bank, said yesterday that it had inadvertently been used by South American drug traffickers to launder tens of millions of guilders of illicit drug profits in the early 1990s. The bank, the largest in the Netherlands, said it had bolstered its internal procedures to guard against a repeat of the money laundering. After reports in the Dutch press at the weekend ABN Amro said a Surinamese-Colombian drug cartel had laundered money through its offices in the Dutcb port of Rotterdam and in Panama from 1989 to 1993.

The cartel, using a Rotterdam-based gold and jewellery shop as a front organisation, exchanged cash at two ABN Amro offices in Rotterdam for bearer cheques, some of which were later presented for payment at the bank's office in Panama. ABN Amro denied reports that warnings about money-laundering from within the bank had been ignored, saying it had started its own investigation in September 1992 and that it had co-operated fully with the Dutch authorities. In 1994 the Netherlands enacted a law requiring banks and other financial institutions to report all suspicious cash transactions above Fl 25,000 (£9,225) *Ronald van de Krol, Amsterdam*

Ex-leader faces Wall charges

German prosecutors yesterday charged Mr Egon Krenz, former bead of the East German communist party, and six other senior party officials with the manslaughter of East Germans who tried to flee across the Berlin Wall. At least 200 were killed between 1961 and the collapse of East Germany. The charges run to over 1,600 pages, making it the longest document of its kind in post-war German history, the Berlin justice ministry said. The case is not expected to start until the second half of this year. Mr Krenz, who was party chief between October and December 1989, said be had no case to answer. "My political activities in the German Democratic Republic do not fall under the jurisdiction of national or international law and most certainly do not fall under the jurisdiction of the German Federal Republic," he said. *Michael Lindemann, Bonn*

Walesa says PM needs holiday

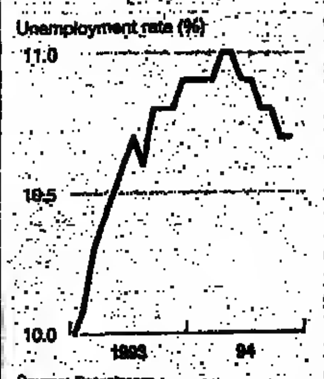
President Lech Walesa has said that he would have dismissed Mr Waldemar Pawlak, Poland's prime minister, "six months ago" if he had held the constitutional right to do so. "Mr Pawlak is young and lacks experience and we harmed him by giving him the post he has now," Mr Welesa said in an interview with the Polityka journal to be published this week. "He sbould be given a holiday," the president adds. The attack comes during a dispute between the president and Poland's governing coalition over this year's taxes and candidates for the vacant post of defence minister. On Thursday the Constitutional Tribunal is due to rule on whether the president was right recently to call on people to pay lower income taxes than those envisaged by this year's budget. *Christopher Bobinski, Warsaw*

Euro-executives pessimistic

A survey of business attitudes on both sides of the Atlantic paints a disturbing picture of European companies intent on cutting costs to improve profits instead of trying to expand. Their pessimistic outlook contrasts sharply with that in the US, where most executives see growth as a top priority. Mercer Management Consulting, the New York-based consultancy, yesterday said only 41 per cent of the 100 executives it interviewed in Europe saw growth as a top priority but 94 per cent of the 180 executives questioned in the US put growth at the top of the list. Mr Joao Baptista, a vice-president in Mercer's London office, said he thought the disparity in business attitudes could be attributed in part to uncertainty over the development of the European Union. *Richard Tomkins, New York*

ECONOMIC WATCH

EU jobless rate stays at 10.7%



Unemployment in the European Union was 10.7 per cent in November, the same as in October and 0.1 percentage points down from November 1993, the EU's statistics office reported yesterday. Unemployment in the UK fell to 8.8 per cent in November from 10.2 per cent a year earlier; in Ireland it declined to 17.5 per cent from 18.3 per cent, in Spain to 22.1 per cent from 22.7 and in Denmark to 9.5 per cent from 10.7 in October 1993. However, the jobless rate rose in Italy to 12 per cent from 11.2 per cent and in the Netherlands to 10.1 per cent from 9.5 per cent. *Reuter, Brussels*

■ Romania ended last year with 10.9 per cent unemployment, up from 10.8 per cent in November and 10.2 per cent in December 1993. A manager at the Labour ministry forecast a 14.2 per cent rate for 1995.

■ Greek wholesale prices rose 9.1 per cent year-on-year in November against a 8.4 per cent year-on-year increase in October.

Persson torn between party and market

Sweden's finance minister must try to satisfy two contesting constituencies in his budget today, writes **Hugh Carnegy**

Mr Göran Persson, Sweden's finance minister, will need all his reputed talents as a tough and unyielding figure when he presents his first budget to the *Riksdag* (parliament) in Stockholm today.

Faced with the industrialised world's fastest growing public debt, Mr Persson has signalled a befty package of spending cuts in Sweden's bloated public sector. He bas promised savings of SKr20bn (£1.7bn) over four years, equivalent to more than 1 per cent of current gross national product. Much of it is expected to be in the form of painful cuts in sucb cherished welfare programmes as child and housing allowances and sickness benefits.

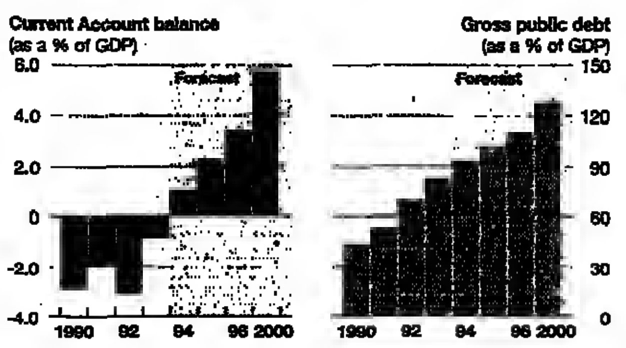
This will come on top of an earlier emergency package of tax increases and spending cuts announced last November which will reduce the budget deficit by a further SKr57bn over the same period. Taken together, tbe two packages amount to some of the toughest fiscal measures ever taken in Sweden.

Mr Persson knows that the financial markets upon whicb Sweden depends to finance a debt soon to exceed 90 per cent of GNP will be satisfied with nothing less. Indeed, last week Moody's, tbe US ratings agency, downgraded Sweden's sovereign debt rating to Aa3 from Aa2, saying the debt burden would remain a serious constraint on Sweden's economy despite the promised cuts "for at least the next decade and probably much longer".

A no less difficult task for Mr Persson and Mr Ingvar Carlsson, the prime minister, is to persuade Swedish voters that the cuts are unavoidable. The Social Democrats returned to power in a general election last September, in large part as a result of public disaffection with the efforts of the previous right-centre governmant to reform and slim down the welfare state built up over decades by the Social Democrats.

Now the new government is having to administer much the same medicine. Mr Persson's pitch to an anxious party and its supporters is, in essence, that hard action taken now to restore balance to the public finances is essential to defending the core of tbe welfare state because it will yield the long-term growth and employment needed to finance a large public welfare system.

In 1994, the economy began to recover from a three-year recession that was an important factor behind the big budget deficit and which saw total unemployment rise to more than 13 per cent of the workforce. Growth in 1994 was about 2.5 per cent; leaks from the finance ministry yesterday suggested its updated forecast was for similar growth this year and 3 per cent growth in 1996.



Source: OECD

Mr Persson's strategy is to induce a virtuous circle back into the economy. He aims to persuade financial markets that his budget proposals will halt the growth of the public debt by 1996; this should help lower long-term interest rates, whicb are now hovering around 11 per cent, and so further stimulate the recovery.

Tbere are, however, doubts about this being achievable. Sweden has since 1970 slipped from third place in the world league of GNP per head to 16th. In that time net job creation has been almost exclusively in the public sector and pubbc spending has grown to some 70 per cent of GNP.

Many economists are concerned that the government's plans are not radical enough to produce a dramatic reversal of this trend. Tbey suspect Mr Persson's projections underestimate the scale of savings required. They also believe the Social Democrats risk squeezing growth out of the economy through the beavy programme of tax increases introduced since September. The emergency November package included more than SKr30bn in tax increases, and a further package to finance Sweden's European Union membership fee added a further SKr12bn.

Swedisb interest rates rose yesterday and the krona weakened as markets reacted to the downgrading of the country's debt rating by Moody's, the US agency, Hugb Carnegy writes. The yield on 10-year government bonds rose to 11.07 per cent from 10.81 per cent. Reports said today's budget could contain SKr21.7bn (£1.8bn) in savings – more than originally promised – but tbe budget deficit over the 18 months from July 1995 could be SKr243bn.

Sceptics of the Social Democrats' policies will also scrutinise very carefully a less trumpeted feature of the hudget. Mr Persson will include a series of measures aimed at stimulating employment which is expected to cost up to SKr15bn. His officials insist the schemes will be limited in time and fully financed and will not add to the debt burden. But the markets are liable to frown upon such measures at a time when the emphasis is supposed to be on austerity.

The jobs package is, however, a vital part of Mr Persson's effort to secure broad-based support for his economic programme witbin Social Democratic ranks. Thanks to tbe fragmentation of the opposition, the party's hold on power is not under immediate challenge, despite being in a minority in the *Riksdag*. But there is already an internal struggle over economic policy under way – labelled a "War of the Roses" after the party's emblem – which could weaken the governmeot and its resolve to curb the public debt.

The LO, the main blue collar trade union federation and traditional party partner, last week issued a sharp critique of the government's strategy, saying any furtber fiscal belt-tigbtening threntened to entrench mass unemployment. Yesterday, an influential group of Social Democratic local government leaders issued a similar warning in a national newspaper, declaring that voters had rejected reforms of the welfare system in the general election.

These critics are clearly at odds with the demands of tbe financial markets. But Mr Persson must somebow find a way of simultaneously satisfying both constituencies today if his budget is to be a success.

Taiwan steel company sell-off probed

By Laura Tyson in Taipei

Regulators are investigating arrangements for the latest sale of shares in Taiwan's state-run China Steel amid concern that a private group with ties to the ruling party may be taking advantage of its position as underwriter to gain control of the company.

The Securities and Exchange Commission was last week seeking an explanation of the role of Core Pacific Securities, part of the diversified Core Pacific group, in the planned share sale.

The economics ministry is in charge of selling some 1.443bn state-beld sbares in China Steel in the sixth and largest tranche yet, representing a 19.9 per cent stake in the company. The sale is due to be completed by July 1 and will reduce the government's stake from 67.8 per cent to 47.9 per cent.

Core Pacific underwrote the privatisations of two state companies last year – BES Engineering, a construction concern, and China Petrochemical Development – and now directly or indirectly controls the boards of both. It did this by placing shares with affiliated companies, buying shares in the market and by buying up proxy voting rights, a practice permitted in Taiwan. "This is not a question of legality but of professional discipline," said an official at the economics ministry.

Tha sbare price of tbe blue-cbip steelmaker has surged amid unusually heavy volume in recent weeks. Brokers say this is a sign that Core Pacific is accumulating shares ahead of the planned offering.

Core Pacific is responsible for placing 800m shares. Anotber 443m are to ba reserved for company employees, and 200m are to be offered to the public through a lottery. At a suggested price of T$21.4 (52p) a share, the deal – excluding the sbares offered to employees – is worth T$21.4bn.

Opposition legislators and the workers' union at Taiwan's biggest steelmaker say the government is giving away national assets to conglomerates. In the process, they say, certain people are using the sell-offs to enrich themselves and gain control of former state companies.

The economics ministry says it has extracted what it calls a guarantee from Core Pacific that it will not install people on the board of China Steel and will refrain from interfering in tbe company's operations after privatisation. But analysts and observers doubt whether the "guarantee" can be enforced.

The Core Pacific group is controlled by Mr Tony Shen, a sailor-turned-tycoon who made his fortune by cornering the market in quotas for textile exports to the US. He later diversified into construction, film distributioo and finance, and is a prominent player in the Taiwan stock market.

Mr Shen is a member of the ruling Kuomintang's central committee and sits on its business management committee, whicb oversees tbe the party's extensive business interests. Core Pacific Securities ranks among Taiwan's five biggest securities bouses.

Analysts say that as the government will retain control of uearly half the company's sbares, it is unlikely Core Pacific could dominate the board after this tranche, but the government plans to reduce its stake further in future share sales.

Core Pacific Securities was chosen as lead underwriter in an open bld last October. China Development, a quasi-investment bank run by the KMT, underwrote a previous domestic offering but was passed over this time because of what was seen as Core Pacific's superior ability to place the offering, the fact that it submitted tbe lowest hid ("unbelievably low," according to a source close to the company) and fears that awarding the deal to a KMT company would provoke public criticism.

In September, the government postponed indefinitely a planned second offering of global depository receipts for China Steel worth $350m to $400m, or 6 per cent of shares outstanding, under pressure from legislators to offer shares to domestic investors first.

Several earlier, much smaller, offerings met with limited investor interest because of poor market coodi-tions and the relatively large size of those sales. The economics ministry hopes to hold the sale in February or March after the Lunar New Year.

Washington and Tokyo seek mutual reassurance

Tomorrow's summit meeting is heralded as a sign of a better rapport, writes **William Dawkins**

There is a common urge to adhere to traditional values wben times are unsettled.

That will be evident when the leaders of the world's first and second largest economies meet in Washington tomorrow, for the first US-Japan summit in nearly a year. The confrontational tone of their trade relations in 1994 is set, for the moment, to give way to mutual reassurance of the underlying soundness of the other areas of their partnership.

This meeting will be unlike the last one, when former Japanese leader Mr Morihiro Hosokawa, broke a tradition of subservience by politely refusing US President Bill Clinton's trade demands. It was a US-Japanese summit that agreed to disagree, heralded on both sides as a sign of a rapport on a more adult and equal basis.

This meeting marks a pause for breath in gradual renegotiation of the US-Japan relationship launched by the Hosokawa-Clinton meeting. Both leaders have little room for manoeuvre; both are hampered by needing to co-operate with domestic political enemies to run their governments.

Mr Clinton is too distracted by the Republican majority in Congress to think about testing tha Japanese link too far. The straight-talking and aristocratic Mr Hosokawa, meanwhile, has been replaced by Mr Tomiichi Murayama, an elderly former trade union official and head of the ailing Social Democratic party.

Mr Murayama will be reading his lines in Washington from a text prepared by the dominant Japanese government coalition partner and his own former foe, the conservative and pro-US Liberal Democratic party.

Mr Murayama's own party is on the verge of breaking up as be departs for Washington today, so he can be counted on to try to ensure the summit is enough of a diplomatic success to rebuild some of his crumbling authority. But just in case Mr Murayama's few remaining Socialist credentials should tempt him to stray from the programme, Mr Yohei Kono, foreign minister and head of the LDP, will be at his elbow at all times.

The first item on the LDP's agenda, though probably less important to the US, is to defuse in advance any tensions from the 50th anniversary this year of the end of the second world war. The recent row leading to the withdrawal of a proposed US postage stamp bearing a picture of the bombing of Hiroshima, and the current heart-searching over Japan's likely non-attendance at US and UK victory commemorations, are tastes of just how emotionally charged this year could become.

The Japanese side wants to review relations, specifically to huttress security co-operation witb the US in a potentially unstable east Asia, with the recent leadership change in North Korea and one expected in China.

Mr Murayama might also start talks on Japanese funding for US troops in Japan, after the present agreement expires in 1996. This year, Japan will pay Y271.4bn (£1.74bn) to the cost of stationing 46,000 US defence employees on its territory. The government would love to trim that bill, in line with curbs on its own defence spending, hut only if this does not jeopardise US military support.

One possibility, say Japanese officials, would be to agree to prepare a joint declaration on US-Japanese security co-operation for the November summit of the Asia Pacific Economic Co-operation forum, to be chaired by Japan.

Mr Murayama will be seeking US co-operation to prepare for the Apec summit, where Japan's main task will be to coax tbe forum's heterogeneous members into agreeing specific steps to reduce trade barriers. Washington will be only too glad to oblige, in line with its well-known urge to push free markets in Apec faster than some Asian economies, fearful of US economic competition, would like.

US-Japan economic relations, focus of the previous hilateral summit, have fallen so low on the Japanese government's agenda this time that the foreign ministry official briefing the press yesterday had to be reminded to mention the subject.

The feeling in Tokyo is that the trade heat is off, because of last October's accord on the opening of Japanese glass, insurance and government procurement markets, and the recent agreement to re-open talks on cars and car parts, more than half of Japan's trade surplus with the US.

On this, the Japanese government may be over-optimistic. While Washington has adopted a more gentle style on trade talks in recent months, it is not signalling a let-up of the pressure. Mr Clinton plans to devote a substantial amount of time to trade issues at tha meeting, US officials warn.

But in keeping with the comfortable pre-Hosokawa US-Japan relationship, the Japanese side is likely to leave a gift for its friends and protectors in Washington. Officials on both sides say they are near agreement on an opening in Japan's vast pension fund management market, on banking and securities, and in government purchases of computers.

On top of this, Mr Murayama may use the occasion to repeat his plans for a five-year deregulation programme, to be launched before the end of March. US officials may be sceptical over Mr Murayama's ability to deliver concrete results. Yet Mr Clinton will be relieved to find at least one subject on his agenda is not promising trouble.

PUBLIC 'FEAR A BANK FAILURE IN THE NEAR FUTURE'

The Japanese public's confidence in its financial system, burdened hy bad debts and high costs, is ebbing, on tbe evidence of a survey publisbed yesterday, William Dawkins writes from Tokyo.

Nearly two-thirds of Tokyo bousewives – controllers of the nation's purse-strings – and salarymen see a "high possibility" a bank will fail in the near or medium-term, according to the Nikkei Financial daily newspaper. Just over two-thirds expect the imminent demise of a stockbroking company. Half the 274 respondents said they would withdraw all their funds if their bank were to report a loss, a rare event in Japanese banking.

It suggests the Bank of Japan was wise last month to rusb to tbe rescue of two credit unions on tbe brink of bankruptcy, yet so small that many doubted whether they posed a threat to the stability of the financial system.

Nearly two-thirds of tbose polled knew nothing about the deposit insurance corporation, an industry hody, funded hy commercial banks to reimburse clients of failed banks. Some 60 per cent said financial institutions' disclosure of information was fairly or very inadequate.

With confidence as tow as this, it might appear a miracle that the Japanese public has not staged a run on banks, said Ms Alicia Ogawa, financial analyst at Salomon Brothers Asia. The fact depositors have not acted on their apparent lack of faith suggests they are confident the finance ministry will rescne all banks and tbeir depositors unconditionally, she conclnded.

Confidence might fall even lower if depositors knew the deposit insurance corporation's funds cover a mere 0.15 per cent of the bank balances it is supposed to insure, according to the corporation's latest annual report.

The snrvey underlines the constraints on the ministry in its attempts to encourage banks to write off bad debts aggressively and clean np their balance sheets. On the evidence of the poll, says Ms Ogawa, Japanese banks will continue to dispose of their bad debts cantiously this year.

Goh battles to bolster his standing

For most in Singapore, ex-premier Lee is still a force, writes **Kieran Cooke**

Mr Goh Chok Tong, Singapore'a prime minister, is in a position most of his counterparts around the world would envy. His People's Action party (PAP), in power since Singapore was given self-government in 1959, controls 77 of the 81 seats in parliament.

Singapore continues to be one of the world's outstanding economic success stories. The economy grew by 9 per cent in 1993: preliminary estimates for 1994 growth exceed 10 per cent. There is plenty of money in the bank. Foreign exchanga reserves exceed $40bn (£25bn).

Yet as expectations mount that ha will call elections within the first half of 1995, the prime minister appears insecure and sensitive to criticism.

Mr Goh, responding recently to a mildly critical article in the Singapore Sunday Times, warned he would not tolerate comments that could weaken his authority. By holding elections a good year earlier than he needs to, he could hope to win a convincing mandate that would bolster his standing.

"When my authority is being undermined by wrong observations, I have to correct them, or the view will prevail that I am indeed not in charge of Singapore," said Mr Goh.

In an initial response, the prime minister's press secretary also felt it necessary to issue a statement assuring Singaporeans that Mr Goh is his own man. "The buck stops with him," said the press secretary. Later he went further.

In a letter published in several Singapore newspapers, he said: "Singapore will expand its political and artistic space pragmatically and gradually, not in accordance with any formula urged upon Singapore by the Western media, which had pusbed for and praised American-style democratisation in Taiwan and South Korea."

"In 10-20 years, the results in Taiwan, South Korea and Singapore will speak for tbemselves."

The problem for Mr Goh is the shadow cast by Mr Lee Kuan Yew, the main architect of modern Singapore, who, in 1990, stepped down as prime minister after more than 30 years in power and now sits in Mr Goh's cabinet with the title of senior minister.

Michael Richardson (right), Asia editor of the Paris-based International Herald Tribune (IHT), and its publisher, Richard McClean, outside the Singapore Supreme Court yesterday. The court ruled yesterday that an American professor who wrote an article for the IHT and officials of the newspaper had a case to answer over a contempt of court charge. The court was adjourned until January 17 when Mr Richardson is expected to be cross-examined in the dispute over the article written hy academic Christopher Lingle and published last October. The article made unflattering remarks about Asian judiciaries which It did not identify. Picture: Associated Press

For most Singaporeans, Mr Lee is still the country's dominant political figure.

Mr Goh's administration admits that it is having great difficulty attracting people of the necessary calibre into government.

Old stalwarts have either retired or gone to the private sector. Many ministers are considered political lightweights. Most Singaporeans feel it is still Mr Lee, now 71, who calls the political shots.

Mr Lee announces many of the big policy changes and does not hesitate to throw his considerable political weight about. In November he made an impassioned 90-minute speech in parliament defending ministerial pay rises that will make Mr Gob's government the most highly paid in the world. Mr Goh already receives a salary more than three times that of US President Bill Clinton. It is estimated thst annual salaries for ministers will rise to S$800,000 (£350,877) from S$600,000.

Some PAP MPs questioned the wisdom of the move, saying it would cause widespread public resentment and lose the party votes at the next general election. Mr Lee told parliament aucb salariea were needed to attract people into government from the private sector. He strongly objected to calls for a referendum on the issue.

"The people at large... are they in a position to judge? asked Mr Lee. "I have been through this life... I say 'do it'. I am in a position to judge." Parliament voted in the measures by 61-6.

When Mr Goh came to power he said he wanted to practise a more open, consultative style of government to achieve a "kinder, more compassionate society". But the more authoritarian, no-nonsense style of Mr Lee seems to have prevailed.

Last year two business journalists and three local economists were found guilty of breaching Singapore's Official Secrets Act by having disclosed a growth figure before it was officially released. Mr Lee said be doubted that the Singapore paper concerned, the Business Times, would have dared to use "illegally obtained or leaked official figures" if he had still been prime minister. He said certain "pressure groups" were trying to undermine society.

Mr Lee's eldest son, Mr Lee Hsien Loong, is seen as Mr Goh's most likely successor. At present a deputy prime minister, he reflects the tough style of his father, and has made no secret of his willingness to serve in the top job. In an interview published in August he declared: "If you ask wbether I want to do it, I say yes, provided I am the best person."

The extreme sensitivity of the issue is reflected in the fact that Mr Lee Sentor, Mr Lee Junior and Mr Goh are all suing the International Herald Tribune newspaper, claiming that it had said Mr Lee Junior's appointment was not made oo merit.

Recently the IHT has been in trouble again over an article written by an American academic in which allegations were made about the judiciary in certain unnamed Asian countries. Charges of contempt have beeo lodged against fiva people for their "joint and/or several acts in bringing into existence, publishing and distributing a statement concerning the Singapore judiciary".

Mr Goh's so-called soft approacb was blamed for a slide in the PAP vote at the last general election in 1991 and in a subsequent presidential elec-tioo. Yat the PAP vote bas been declining since 1984, well before Mr Goh took charge.

Dr Chee Soon Juan, a US-trained neuro-psychologist wbo is a member of the small opposition Singapore Democratic Party, said Mr Lee had lost touch. "People are tired of paternalism and élitism," said Dr Chee. The PAP had done much for Singapore. But it had bought people off with material benefits and created a political culture based on apathy and fear, he said.

Dr Chee was a researcher at tbe National University of Singapore until he was dismissed from his post for allegedly misusing research funds to send a thesis to his wife in the US. He had to pay S$400,000 (£174,000) damages and costs to his former department head, a PAP MP, for remarks he made disputing his dismissal.

"The present type of society is sustainable as long as there is economic progress," says Dr Chee. "If and when the economy takes a turn for the worse, Singapore will come apart at the seams."

North Korea opens ports to US vessels

By John Burton in Seoul

The US is expected to deliver its first shipment of heavy fuel oil to North Korea this week, following Pyongyang's announcement yesterday that it will lift curbs on the import of US products and a ban on port calls by US vessels.

In another sign of its opening, isolated North Korea also will accept 10,000 foreign tourists in April to attend a sports and cultural festival that may be the prelude to the formal assumption of power by Mr Kim Jong-il.

The latest measures indicate implementation of the recent US-North Korean nuclear accord is proceeding smoothly, despite last month's crash of a US army helicopter in North Korea.

North Korea has already concluded the initial stage of the deal, signed in October, by suspending operation of its 5MW nuclear reactor and construction of its 50MW and 200MW reactors, under the supervision of the International Atomic Energy Agency.

It has also shut a nuclear reprocessing plant. This deprives North Korea of the ability to produce more plutonium for its suspected nuclear weapons programme, although it remains uncertain whether it has already processed enough plutonium for one or two atomic bombs.

In return, the US has promised to supply heavy fuel oil to North Korea to replace energy lost from the closure of the reactors. The first oil shipment of 50,000 tonnes, to be supplied by Honam Oil of South Korea on contract to the US defence department, is scheduled to be loaded and delivered to the North Korean port of Sonbong by the weekend.

The US has agreed to increase the fuel oil shipments to 500,000 tonnes a year over the next decade, wben the building of two new safer light-water reactors in North Korea is expected to be completed.

A further easing of trade relations is expected by January 21, as stipulated under the nuclear accord, with the US and North Korea abolishing restrictions on financial transactions and telecommunications services.

Algerian opposition parties hold talks

By Roula Khalaf

Algerian opposition parties are holding talks in Rome this week in an effort to revive dialogue and lure the army-led government back to negotiations.

The talks follow the Christmas eve hijacking of an Air France aircraft by Islamic militants that left three passengers and all four hijackers dead. Sponsored by a Roman Catholic group, the Community of St Egidio, the talks include the main parties – the National Liberation Front, Algeria's former ruling party, the outlawed Islamic Salvation Front and the Socialist Forces Front – and other smaller groups.

This second round of discussions under the auspices of St Egidio is intended to establish a common platform from which opposition parties can approach the government. "The hijacking of the Air France aircraft confirmed that violence cannot be contained within Algeria," Mr Hocine Ait Ahmed, leader of the Socialist Forces Front, told Italian radio yesterday. "The talks should produce a concrete, democratic and peaceful plan to begin negotiations with the government."

After meetings last November, the parties agreed that no dialogue was possible without the ontlawed FIS, tbe Islamic party that was poised to win the December 1991 general elections annulled by tbe military-backed regime. This round of talks, likely to continue through the week, are also expected to prodnce a statement endorsing plans for a national congress to be held in Algiers and attended by all parties including the FIS.

The government has condemned the Rome talks as attempts at foreign interference in its domestic affairs.

Attempts by Algeria's head of state, Gen Liamine Zeroual, to open dialogue with the FIS leaders, Mr Abassi Madani and Mr Ali Benhadj, collapsed last October. In November the government stepped up its campaign against Moslem extremists, fuelling even bloodier spirals of violence. Since 1992, about 30,000 people have died in Algerian violence. Reports put the average weekly death toll at 800.

INTERNATIONAL NEWS DIGEST

Israel lifts curbs on Palestinians

Israel agreed yesterday to recognise Palestinian passports, to allow vehicles with Palestinian licence plates to use Israeli roads, to let men over 50 and students cross between Gaza and the self-rule enclave of Jericho and to co-operate in construction of an industrial park on the West Bank. These were the only visible results of talks in Gaza yesterday between Mr Shimon Peres, Israeli foreign minister, and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation. But both men emerged satisfied that progress was being made, however slowly, towards implementing the second phase of the 1993 Oslo agreement.

The meeting came as the Bank of Israel published a research document showing that the slowdown in Israel'a economic growth for this year may be greater then originally expected. Tha bank document forecast unemployment will rise in 1995 to 8.2 per cent after dropping for two years. The government's official forecast is for 7.5 per cent. Gross domestic product will grow by 4.1 per cent, the document predicted. This compares with an official forecast of 4.9 per cent and is down from 6.8 per cent growth in 1994. Business sector product will grow 4.7 per cent, compared with the government's forecast of 5.7 per cent and 7.9 per cent in 1994, the Bank of Israel document said. *Eric Silver and Reuter, Jerusalem*

Indian exports increase by 15%

India's exports in the first eight months of fiscal 1994-95 (April-November) increased 15.18 per cent to $15.94bn (£9.9bn) against $13.84bn in the same period last year. Commerce Ministry figures yesterday indicate imports were up 22.48 per cent to $17.6bn against $14.37bn, pushing up tbe trade deficit to $1.66bn. While petroleum, oil and lubricant imports, which traditionally account for nearly a fourth of India's total imports, decreased 4 per cent, non-oil imports increased 32.16 per cent during the eight-month period. The government estimates that exports during November indicate an increase of 18.8 per cent over November 1993. The export levels are expected to pick up, after restrictions – imposed by some countries following reports of plague – have been withdrawn.

● India'a Election Commission yesterday asked for postponement of the hudget until March 11, the last day of polling in state elections. *Shiraz Sidhva, New Delhi*

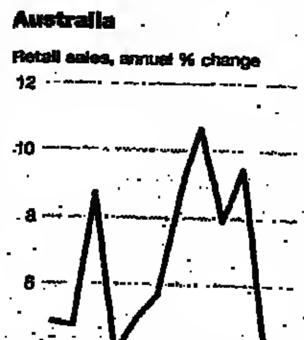
Perry starts visit to Pakistan

Mr William Perry, US defence secretary, arrives on a two-day visit to Pakistan today amid few indications that Washington and Islamabad, close allies at the height of the cold war, are anywhere near narrowing their differences. Pakistan continues to resist western efforts to open its controversial nuclear facilities for international inspection and awaits compensation from the US for partial payment for 71 F-16 fighter aircraft that were never delivered. The two sides have yet to decide a formula to compensate Pakistan for $658m (£411m) out of a projected total of $1.4bn for the aircraft. They were held up after Washington cut off aid in 1990 over fears of Pakistan's nuclear weapons capability. *Farhan Bokhari, Islamabad*

Nigerian conference adjourned

The slow march by Nigeria's military regime towards civilian rule stalled again on Monday when the constitutional conference in Abuja was adjourned for two months, having just returned from a four-week break. This is the third delay to e conference which was convened last June by head of state General Sani Abacha who hailed it as the start of a rapid transition to democracy. It overran its October deadline until early December then took a month's break while a committee drafted amendments to the constitution. The 360 delegates returned to revue the draft yesterday but were told that it would not be ready until January 23. The conference then adjourned until March 6. *Paul Adams, Lagos*

Australian growth falters



Source: Datastream

A dip in retail sales in November from record levels, combined with softness in other recent economic indicators, shows Australia'a brisk pace of economic growth slowing in the final quarter of 1994, analysts said yesterday. Seasonally-adjusted retail sales, always a volatile monthly figure, fell 1.3 per cent in November, against analysts' expectations for an unchanged figure. Some economists had expected a correction in November's retail sales following a 2.4 per cent leap in October, but most agreed the three official interest rate rises between August and December totalling 275 basis points are beginning to hit interest-rate-sensitive sectors such as housing and retailers. *Reuter, Sydney*

■ Japan's orders for machine tools in November jumped 43.9 per cent from a year earlier to Y54.41bn the Japan Machine Tool Builders Association said. The association, grouping 106 machine tool makers, said the figure represents a 5.8 per cent increase from October. *Reuter, Tokyo*

NEWS: THE AMERICAS

Zedillo's economic woes may turn to political ones

Mexico's president and ruling party are likely to pay the price in five electoral tests, write **Ted Bardacke** and **Stephen Fidler**

The financial crisis which has enveloped tha government of President Ernesto Zedillo has multiplied his political problems too. Even given the most optimistic outcome, the Mexican president has a difficult year ahead.

The crisis has already taken a heavy toll on the popularity of a politician whose election slogans were "Wellbeing For Your Family" and "He Knows How To Do It". This year's official growth forecast of 1.5 to 2 per cent, and a jump in inflation from 9 per cent in 1994 to an average 16 per cent both appear optimistic to economists.

Mr Jorge Castañeda, a Mexican academic and political commentator, says: "He promised stability and he delivers chaos. He promised the fruits of the sacrifices of the last 12 years, and he delivers more sacrifices."

In fact, he was elected in part on the perception that he would handle the economy better than his political rivals. "It is ironic that the economic situation is dragging them down rather than political ineptitude when the cabinet was thought to be domineted by economists," says Mr Roderic Ai Camp, director of Latin American Studies at Tulane University.

The president and his Institutional Revolutionary Party (PRI), which has ruled Mexico for 65 years, face five important election tests this year. The PRI is not used to losing elections, but presidential aides privately admit that the party could lose all five.

Elections will be beld this year in the states of Jalisco, Guanajuato, Yucatán, Michoacán, and Baja California. Three will hold both state congressional and gubernatorial elections, Michoacán will vote only for a state congress and Guanajuato only for a governor. In all of the states, the opposition is historically strong and has a history of reacting vigorously to electoral fraud, real or perceived.

The PRI's electoral strategy in 1994, which earned it just 50 per cent of the vote in the presidential elections, was based on holding the core PRI support together with offers of job creation, an increase in real wages and more spending on public works. The vote of potential opposition voters was virtually ignored.

With even the government's best-case forecast being for lower economic growth, cuts in government spending and wage snppression, observers see the PRI as certain to lose some of its 1994 voters and it is virtually unimaginable that any opposition voters would cross back to the ruling party.

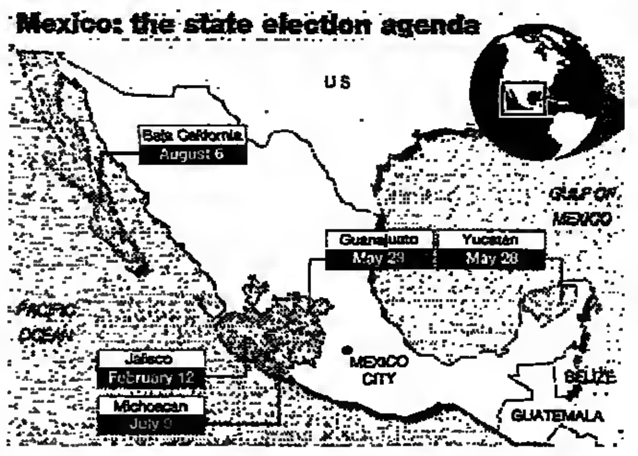
During the recent events the PRI has remain conspicuously silent. While it is normal for the party to go into a post-electoral hibernation, many question whether Ms Maria de los Angeles Moreno, its new leader, has the political savvy to wake the party from its slumber.

Mr Zedillo's immediate political difficulties are, some commentators consider, likely to be increased by his apparent commitment to political reform and to governing by the rule of law – a novelty in Mexico, were it to happen.

By not using the hidden presidential levers of control in Mexico – jobs, money, threats, promises – or by using them more sparingly, Mr Zedillo would find it harder to deliver a convincing response to the crisis.

Already, he is viewed as inheriting an office weaker than his predecessors. "The fact that Mexico has made some progress on political modernisation puts Zedillo into new and unexplored territory," says Mr Riordan Roett, senior policy analyst at Chase Manhattan Bank in New York.

Mexico: the state election agenda



For whatever reason, Mr Zedillo is widely viewed inside and outside tha country as reacting to events, rather than successfully shaping them. But seizing the agenda is more easily said than done, given Mr Zedillo's style of seeking dialogue and consensus.

His aides are said to be considering a *Golpe Espectacular* – a spectacular strike that would make people take notice such as his predecessor's jailing of the head of the powerful oil workers' union – but no ready opportunity seems at hand.

An important further economic reform – such as privatising Pemex, the state oil monopoly – would undoubtedly weaken his standing domestically, particularly if it were to be seen as bowing to the demands of US financiers. In fact, the economic crisis has meant that one option to win popularity for Mr Zedillo – the nationalist card – is made daily more difficult by the financial crisis.

The government is now heavily dependent on US support, as the intervention yesterday by the New York Federal Reserve Bank in the foreign exchange market makes clear.

With increased illegal immigration and a falling trade surplus with Mexico both likely fall-outs from the financial crisis, relations with Washington may become more difficult. Historically, Mexico has usually been forced to give in to the US oo a variety of economic and trade issues when Mexico becomes a domestic political coocern in the US.

"Zedillo needs to create a new national alliance within Mexico. In the midst of the crisis it seemed like be was relying on more help from the foreigners than from the Mexicans. But to get out of the crisis, be is going to need help from Mexicans," said Mr Jaime Gonzalez Graff, a conservative political analyst.

Furthermore, the rebellion in the southern state of Chiapas seems likely to remain a continuing problem for the president. Neither side seems stroog enougb to deliver a fatal wound to the other, but when the government tries to placate the Zapatista guerrillas, they teod to respond belligerently.

The complexity of these problems and tbe way the financial crisis has developed gives the impression that Mr Zedillo is making policy on the boof. "This is like water torture. Every day another drop falls," says Mr Rhoett.

A car stands stranded on a section of flooded roadway in California. Storms in Napa and Sonoma counties, just north of San Francisco, forced some communities to evacuate their homes AP

Non-union employee schemes urged in US

By Robert Taylor in Washington

The new US Congress should "clarify" existing American labour law and allow companies to develop non-union employee participation schemes in the workplace, according to the final report of the Clinton administration's special commission on labour policy.

The commission's report, published yesterday, said employers should be free to develop such schemes without having to break the existing law. This dates back to the New Deal of the 1930s and prohibits the creation of company-dominated bodies to deal with the pay and conditions of employees.

However, the AFL-CIO union federation denounced the proposal as a threat to collective bargaining and union representation in the workplace.

The commission, chaired by Prof John Dunlop of Harvard University, said workplace bodies that deal with production issues, product quality, safety and health, training or voluntary dispute resolution should be "legal as long as they do not allow for the rebirth of company unions the law was designed to outlaw." Non-union workplace schemes "should not be lawful simply because they involve discussions of terms and conditions of employment or compensation where such discussion is incidental to the broad purposes of these schemes."

Prof Dunlop said the report provided an "agenda for balanced change". But the only union representative on the commission, Mr Doug Fraser, former anto workers union president, denounced the proposal on participatioo schemes saying it would "be an invitation for abuse by employers".

Union leaders expressed disappointment with other aspects of the report, saying it failed completely to address the issues of widening earnings disparities and stagnant wages in the US.

The proposed employee participation reform would still prohibit companies from setting up employer-dominated labour organisations. "It should be an unfair labour practice for an employer to establish a new participation programme or to use or manipulate an existing one with the purpose of frustrating employees efforts to obtain independent representation."

The commissioo's other proposals include introduction of "prompt" injunctions to stop employer discrimination against workers organising campaigns or negotiating a first contract and the creation of stronger dispute resolution machinery including the use of binding arbitration in some cases dealing with completion of a first contract.

Prof Dunlop and his colleagues said their report was designed to encourage more co-operation in the workplace between management and employees and some of them believe it will encourage collective bargaining rather than weaken it despite initial union hostility.

However, the Republican victory in the November 8 congressional elections means there is little early prospect of legislation to enact the union-friendly parts of the report.

Implant maker loses key appeal

By Richard Waters in New York

Dow Corning, the largest US manufacturer of silicon breast implants, yesterday lost the final round in an appeal to overturn a key $7.3m product liability judgment against the company.

The decision could advance the cases of others who claim implants cansed illness. Some 15,000 women have opted out of a $4bn worldwide settlement offered by manufacturers, preferring to pursue their claims through the US courts.

The US Supreme Court ruled that it could not hear an eppeal from Dow Corning over the case, in which the company had been ordered to pay $840,000 of actual damages and $6.5m of punitive damages. The company had already lost a hearing before the federal appeals court in San Francisco.

Dow Corning had argued the original trial judge should not have allowed scientific avidence to go before the jury which supported the claim that implants had caused illness to the plaintiff, Ms Maryann Hopkins. The company, a joint venture between Dow Chemical and Corning, has argued there is no evidence linking implants to illnesses.

The Hopkins case outcoma had encouraged many other women to file suit against Dow Corning and others.

Maryland court hears challenge over governorship

By Jurek Martin in Washington

The saga of the contested Maryland governorship yesterday approached its climax as a state court began hearing the case brought by Mrs Ellan Sauerbrey that she was denied victory in last November's election by voting irregularities.

Mrs Sauerbrey, a conservative Republican, lost to Mr Parris Glendening by 5,993 votes in a total poll of about 1.4m, according to the certified final tally. He is dne to be sworn in as governor on January 18.

Her suit is one of a handful outstanding from the mid-term elections. Mr Michael Huffington, another Republican, still has not conceded e 160,000 vote defeat to Senator Dianne Feinstein in California, while the narrow victories of two House Democrats, Ms Jane Harman and Mr Sam Gedjenson, from California and Connecticut respectively, also face challenges. All three, however, have been sworn in to the new Congress.

Mrs Sauerbray's case, demanding either e new election or her installation instead of Mr Glendening, has looked thinner with each passing week, to the point that some Maryland Republicans are openly urging her to drop it. Her principal lawyers even withdrew from the action over the weekend, citing differences in approach. She initially claimed that about 49,000 votes were improperly cast, but has pared this number down to 14,000 partly in the wake of local press investigations that appeared substantially to disprove ber charges that thousands of voters were dead, or in jail, or had moved from their registered addresses.

She has also partly retracted earlier generalised claims that the election was "stolen" from her.

Last week, her lawyers said no accusation of fraud was being laid at the door of either the Glendening campaign or any Democratic state official.

Her campaign to have the election result overturned has attracted some support from the new Republican leadership in Congress and from conservative publications. She was even seated at a GOP conference of new governors last November, albeit with a nametag missing the title she thinks should be hers.

Her challenge is unprecedented in Maryland, but not in other states. In 1990, in neighbouring Virginia, Mr Doug Wilder had to wait weeks before his narrow gubernatorial victory in November 1989 was confirmed in court.

On Saturday, the presiding judge in Annapolis, the state capital, denied her request to delay the case following withdrawal of her lead lawyers.

Airbus deprives Boeing of aircraft orders lead

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie, the European aerospace consortium, last year won more aircraft orders than Boeing of the US.

It was the first time Airbus, which was founded in 1970, had attracted more orders than its US rival.

The consortium said it had a 48 per cent share of aircraft orders last year, compared with 46 per cent for Boeing.

One industry observer said: "It's the first time since the advent of the jet age that Boeing has lost its number one spot in airline orders."

The US company, however, was quick to dismiss the Airbus announcement, saying deliveries of aircraft, in which it is still far ahead, were more important than orders, which were volatile and subject to cancellation.

Airbus said it won 125 firm orders last year, worth $9.1bn. The orders, from 12 customers, compared with 38 orders won by the consortium in 1993. Airbus also had fewer orders cancelled last year than in 1993. Cancellations in 1994 totalled 54, compared with 69 in 1993. Thirty of last year's orders were for its A330/A340 family of aircraft.

Airbus – which is jointly owned by Aerospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain – said it delivered 123 aircraft to 35 customers last year. This compared with 138 aircraft delivered in 1993, and 130 aircraft which Airbus had forecast would be delivered last year.

The shortfall last year was because of a delay in bringing its A330 Pratt & Whitney aircraft np to contractual specifications. The turnover for delivered aircraft was $8.5bn - slightly lower than the $8.7bn recorded in 1993.

Its deliveries were lower last year than in 1993 because the 1993 figure reflected orders made before recession hit the US and Europe. Its 1994 deliveries were made np of 34 A330/A340s, 25 A300/A310s and 64 A320/321s.

Boeing said the number of aircraft delivered was a far more important measure of the two groups' standing than orders. It had delivered 270 aircraft to its customers last year.

Protest urged on rights in India

By Nancy Dunne in Washington

US human rights activists are urging Mr Ron Brown, the US commerce secretary, to express concern publicly about claims of tortures, killings and detentions in Kashmir and other abuses during his trade and investment mission to India next week.

In a letter to Mr Brown last week, Mr Kenneth Roth, executive director of Human Rights Watch, an international group, complained that the Clinton administration's decision to de-link human rights and commercial relations contributed to greater repression in China.

"Your impending trip to India provides an ideal opportunity to demonstrate a renewed vitality to the administration's 'unequivocal' commitment to human rights," he said.

He urged the secretary to meet human rights groups in India and express concern about several alleged abuses. These include Delhi's failure to prosecute security officials for "pervasive torture and summary executions in Kashmir" and the role of police in the deaths of 113 members of the Gowari tribal community last year.

Mr Brown, who is taking with him to India 25 executives, including several Indian Americans, is unlikely to offend the Indian government just as bilateral relations have taken a turn for the better.

Last month he defended the administration's human rights policies and acknowledged that "...there are, of course, occasions when strong public statements and actions of indignation and dismay are an absolutely appropriate approach."

When President Bill Clinton de-linked China's trade status from human rights last May, he promised to produce a voluntary code of workers' rights principles for US companies abroad.

However, the business community was reluctant to agree to even a broad code which would not single out China. "American companies want the flexibility to continue to work overseas in ways that promote progress but don't become a strait-jacket for them," said Mr Calman Cohen, vice-president of the Emergency Committee for American Trade, a group of 60 largest US companies.

Business contends that economic growth will ultimately counter human rights abuses. "For every Taiwan or South Korea, in which economic growth has paralleled a gradual improvement in human rights, there is a Singapore, Indonesia, China or Peru, where economic growth bolsters an authoritarian regime," said Mr Roth.

EU makers' anti-dumping complaint may encourage more European factories

S Korea under fire on excavators

By David Treherne and Andrew Baxter

European excavator manufacturers have launched a long-expected anti-dumping complaint against their South Korean rivals – a move that could encourage the Koreans to set up more factories within the European Union.

The Committee for European Construction Equipment (CECE), which represents national associations across Europe, has filed the complaint – involving hydraulic excavators weighing more than six tonnes – with the European Commission.

It is understood to have about 10 signatories, including J C Bamford (JCB), the largest UK-owned construction equipment producer. It underlines long-standing concerns within the European industry about imports of low-priced excavators from Korea.

Mr Alfredo Sandovar, CECE's general secretary, said he expected to hear soon whether the Commission would open an investigation as a result of the complaint. In line with policy, the Commission yesterday would not confirm it had received a complaint, and said no decision had been taken to open an investigation.

The case has echoes of the mid-1980s, when European manufacturers became increasingly concerned about cut-price imports of Japanese excavators. In 1985 the Commission imposed anti-dumping duties ranging from 2 to 32 per cent on a number of Japanese manufacturers.

The action, along with the forthcoming Single Market reforms and the need to be closer to customers, forced a number of Japanese manufacturers to accelerate plans for production within the EU.

Komatsu established a factory at Birtley, in northern England, while Hitachi formed Fiat-Hitachi, a joint venture in Italy. Others opted to concentrate on growing market share in Efta countries.

In 1990, the duties against Japanese producers quietly lapsed when they came up for renewal.

But Korean manufacturers have only 5-7 per cent of the European excavator market with their value-for-money machines, far less than the 20-plus per cent built up by the Japanese by the mid-1980s.

Euro Daewoo, the Belgian-based unit of Daewoo Heavy Industries, confirmed the big three Korean producers – Daewoo itself, Samsung Heavy Industries and Hyundai Construction Equipment – and the smaller Halla, were the subject of the complaint.

However, it denied dumping excavators in Europe. Euro Daewoo is the Korean industry's only factory in Europe, assembling three out of Daewoo's eight excavator models. This would rise to five this year, it said, with production doubling to 380 units from 1994.

Samsung, Hyundai and Halla import their machines, but Samsung is considering excavator assembly sites in the UK.

One observer suggested the Koreans would prefer to avoid the publicity surrounding a full anti-dumping case. One option would be to raise prices by 20-25 per cent.

China moves on trademark protection

China, facing a looming trade war with the US over infringement of patents and copyrights, said yesterday it aimed by next year to cut the time for registering a trademark to 12 months from 20, Reuter reports from Beijing.

A computer network of trademark management will become operational in 1996, Xinhua news agency quoted Mr Wang Zhongfu, director-general of the State Administration of Industry and Commerce, as saying.

By the end of last year China had registered 460,000 trademarks, up 12.2 per cent compared with 1993. China was also pushing ahead with the agent system for trademark registration, in line with international standards, Mr Wang said. He said 96 such organisations had been set up, including 17 dealing with foreign trademarks.

Special committees of trademark agents were being set up to supervise trademark protection, Mr Wang said. China was trying to crack down on fake trademarks and cases of trademark violations, with more than 10,000 such cases uncovered in 1994, he said.

Last week, Beijing ordered a national boycott of pirated goods, intensifying a campaign to avert a potentially disastrous trade war with Washington and acknowledging the government's failure to educate the public on the issue.

In Washington a senior US official said last week China had taken some steps to end copyright piracy and avert punitive tariffs but the steps were small. Piracy is central to the rift between Beijing and Washington, which on December 31 threatened to punish China with stiff tariffs on $2.8bn worth of its exports from February 4 unless it acts to meet US concerns. China pledged tit-for-tat sanctions if the tariffs are imposed.

US negotiators last month broke off talks, saying China had made no serious offers. A few days later Beijing failed to meet its own year-end deadline of re-entry to the General Agreement on Tariffs and Trade and founder membership of the successor World Trade Organisation.

With talks to resume from January 18-20 in Beijing, state media have mounted a publicity campaign to defend China's position – that it has made rapid progress against piracy but cannot wipe out the scourge overnight.

Washington has denounced Beijing's failure to close 29 south China plants – some state-owned – that have been pressing 75m pirated compact discs a year, largely for export. US publishers, film studios, software groups and other copyright owners have calculated their industry loses $827m a year to Chinese pirates.

Losses are not limited to copyright works. China has launched campaigns against pirates who copy almost any sought-after product, foreign or local. Bootleg copies of Rolex watches, the Chinese banquet liquor Maotai, Lux soap bars, and Cherokee-model Jeeps have been seized.

Lookalike: A Beijing vendor displays a bag with a name similar to the Nike brand AP

Japan and US link in cable TV venture

By Michiyo Nakamoto in Tokyo

Five Japanese and US companies are linking in a cross-border venture to establish a cable TV operator for new broadcast and communications services in the Japanese market.

Itochu, the trading company, Toshiba, the electronics manufacturer, Time Warner, the US media and entertainment group, US West, the telecommunications company, and Time Warner Entertainment Japan, are investing more than Y40bn ($400m) to set up the company, Titus, and build up its operations throughout Japan.

The deal is the second big Japanese-US alliance in the Japanese cable TV market after a joint venture between Sumitomo, the trading company, and TCI, the US telecoms company, announced at the end of last year.

Titus expects to push forward the development of Japan's cable TV market, which has significantly lagged that in the US.

Titus will start cable television operations in selected locations throughout Japan and aim to cover 2m households by the end of the decade. This amounts to 5 per cent of the total households in Japan and 10 to 15 per cent of those expected to be connected to multi-channel cable networks in that period.

Itochu and Toshiba will be the largest shareholders with a stake of 28.4 per cent each, followed by US West with 17.9 per cent, Time Warner with 15.4 per cent, and TWEJ with 9.9 per cent.

The new company will be a multiple system operator running its own regional cable operations as well as investing in and managing independent operations established by other parties.

The regional systems operators in which Titus will invest are expected to construct cable systems in Japan using a combination of fibre optic and coaxial cable capable of handling various kinds of two-way services. The company plans to offer telephone services as early as possible.

The venture between leading Japanese and US companies in the cable TV market highlights the growing interdependence of industries across national borders in developing multimedia businesses.

However, it also reflects the Japanese reliance on the US in many areas of multimedia. "Japanese companies would not have been able to launch such a company on their own because they don't have much experience in the cable TV business," an Itochu official said. Japan's cable TV market has lagged behind those of other industrialised countries because of stringent regulations in place until early last year. The penetration rate of cable television in Japan is just over 5 per cent compared to over 60 per cent in the US, according to industry estimates.

Recently, Japan's Ministry of Posts and Telecommunications adopted a policy of supporting development of the cable television industry, which is seen as crucial for the emergence of multimedia industries.

The ministry has raised the ceiling for foreign investment and provided low-interest funds for those installing optical fibre. The cable television market, which grew an estimated 20 per cent last year according to Itochu, is expected to grow more rapidly as a result of these changes.

WORLD TRADE NEWS DIGEST

Indonesia, Exxon in $40bn gas deal

Indonesia and US group Exxon yesterday signed a basic agreement covering an estimated $40bn investment in a big offshore gas project in the South China Sea. The project – the costliest offshore gas plan in the world – will see exploration and exploitation of liquefied natural gas (LNG) off Natuna island, 1,100km north of Jakarta.

Exploration will be conducted by Pertamina, Indonesia's state oil company, and oil contractor Esso Exploration and Production Natuna, an affiliate of Exxon. Both groups hold a 50 per cent stake in the project. The signing follows a record $23.7bn in foreign investment approvals for Indonesia last year, triple 1993's $8bn. *Reuter, Jakarta*

Nippon Steel plans Thai plant

Nippon Steel, Japan's largest steelmaker, has applied to establish a joint venture in Thailand to produce steel tubes for automobile and motorcycle manufacturers in the region. The company plans to tie up with Mitsubishi Corporation, two other Japanese trading companies and Thailand's Siam Steel Group, to set up the facility, which will launch production of 20,000 tonnes of steel tubes by the end of 1996.

Nippon Steel believes demand in Thailand for steel tubes is likely to increase significantly with the growing shift of Japanese manufacturing to other Asian countries. The plan, which follows another planned venture in Thailand to produce an annual 800,000 to 1m tonnes of cold-rolling steel, highlights the growth of southeast Asian economies and the accompanying shift of Japanese manufacturing to the region.

As Japanese manufacturers, from car makers to consumer electronics companies, increasingly transfer manufacturing activies to lower-cost growth markets in Asia, suppliers are having to follow suit. Japanese steelmakers, which have seen their cost competitiveness battered by the yen's appreciation, are also facing growing pressure at home to bring prices closer to international levels. Customers in the motor vehicle and shipbuilding industries have started to buy lower-priced steel from Korean manufacturers. *Michiyo Nakamoto, Tokyo*

More air travellers in W Europe

West European airlines carried 11.5 per cent more passengers in November than a year previously, the Association of European Airlines (AEA) reported yesterday. Freight traffic grew 14.9 per cent over the same period. South Atlantic routes showed the strongest increase, with passenger traffic up 18.1 per cent. Passenger numbers on services within Europe grew 14.8 per cent and on routes across the north Atlantic by 12.2 per cent. Over the same time the number of available seats grew 5.2 per cent, which allowed load factors, a measure relating occupied seats to the number of seats offered, to rise 3.6 percentage points to 64.3 per cent. On north Atlantic routes load factors rose to 66.6 per cent on the back of a marginal cut in seats offered. The AEA represents most of West Europe's national airlines, some carriers in central Europe and some other large operators. *Reuter, Brussels*

Investment in India 'declines'

Foreign and domestic investments in India's industrial projects declined in real terms in 1994, according to a survey by the Centre for Monitoring the Indian Economy, an independent Bombay-based research agency. The survey, covering more than 3,000 industrial projects with a total envisaged investment of Rs7,764bn ($247.57bn), shows a sharp increase in investment intentions but "very poor growth" in project implementation. "While the investments envisaged in projects at the proposal stage had grown by nearly 46 per cent, those in projects actually being implemented grew by a meagre 4.4 per cent," the survey noted. Total investments had increased by 24 per cent over the previous year, but most of this was accounted for by new projects which had been announced but had yet to be implemented. *Shiraz Sidhva, New Delhi*

■ Siebe said its Environmental Controls unit had signed a joint venture with a Shanghai-based company to make and sell indoor controls systems in China. The Siebe unit is to provide £1.9m ($2.96m) of investment in the venture, with partner Shanghai Automation and Instrumentation paying £1.3m. Siebe Environmental Controls Shanghai will be Siebe's third Chinese joint venture in the past 12 months and its fourth in total. *Reuter, London*

■ Diversified trading company Loxley will install a cellular digital telephone system in Mandalay, Burma in a project worth Bt85m ($3.38m). The installation will begin this month and is expected to be completed by October. Canada-based Northern Telecom will provide telephone installation and other equipment. *Reuter, Bangkok*

■ Yamaichi Securities is considering setting up a consultancy company in China to advise Japanese companies which plan to invest in China, a Yamaichi spokesman said. *Reuter, Tokyo*

Investment banks in City cut more jobs

By Nicholas Denton

S.G. Warburg's announcement yesterday that it was scaling back its fixed-interest operations pushes the total of job cuts disclosed at investment banks in the City of London to 350 in the past six months.

Warburg, which had given no hint that retrenchment would be so severe, said it would mean redundancy for about 180 people.

The dismissal of staff in the fixed-income area dwarfs the layoff of about 10 analysts and other employees last year from the bank's equities operations.

Meanwhile Merrill Lynch is understood to be laying off 15 staff in London as part of a reduction of 180 in its debt and equity operations worldwide. It has also emerged that Bankers Trust laid off 25 employees in London late last year out of a total of 60 who ware laid off worldwide.

Warburg's move will renew anxiety among City employees, particularly in the vulnerable operations dealing with bonds and other fixed-interest instruments. Depressed and volatile bond and equity markets last year burt investment bank profits and raised expectations of a reduction in employment as part of a cost-cutting effort.

Only a trickle of job cuts were disclosed, however, until the latest batch of announcements. Headhunters said investment banks were now more sophisticated in playing down the scale of job cuts, spreading them over longer periods and disguising them.

Warburg's action coincided with the news that Merrill Lynch of the US, despite dominating the dollar hond market in 1994 and ranking second as a bookrunner of equity issues, was cutting back.

Apart from Warburg, only Goldman Sachs of the US has made public significant cuts across the board. The investment banking partnersbip announced a scaling back of about 5 per cent in its worldwide workforce of 9,000 and it is understood that about 80 people lost their jobs in London. Goldman does not rule out further reductions.

Other known job cuts includs 30 at Yamaichi International in London; 12 from the fixed-income operations of NatWest Markets, the subsidiary of the UK clearing bank; and six from the same department of Kidder Peabody, the US house taken over by Paine Webber.

About 100 Kidder Peabody staff in accounts, personnel, information technology and other support departments are in limbo as Paine Webber decides whom to employ after its acquisition. Some investment banks sucb as Lehman Brothers have sought to cut expenses like Christmas parties and taxi fares while retaining staff.

Row over plan for accountancy regulator

By Jim Kelly, Accountancy Correspondent

An author of a radical report commissioned by the Institute of Chartered Accountants in England and Wales yesterday accused the institute of shelving a recommendation to establish an independent regulator for the profession.

But the institute said the author was "unduly sensitive" and that the proposal would be investigated, with several others, by a new working group which is to report early in 1996.

The institute set up the working party last October to look at the options for changing the present system of self-regulation. The report was published yesterday and was presented as containing a series of deliberately provocative options designed to stimulate debate.

Mr Douglas Llambias, one of the four authors of the report and a leading accountant, said: "We were unanimous on the final recommendation. Effectively it has been shelved. The whole thing has been watered down.

"Now the new working party has to look at all options – it is a complete red herring. This will do nothing to improve the standing of the institute."

Mr Keith Woodley, depnty president of the institute, said all the options were still on the table. He said that when the report had been considered by the institute's council conference it was recognised that further work was needed.

The preferred option envisaged a regulator "outside the ambit of professional accountancy bodies" for so-called public interest cases involving third parties snch as sharebolders or investors. Mnch such work is done by the "Big Six" firms. Under this option smaller firms not involved in sucb cases would be regulated by a newly formed Practice Review Scheme.

The new working party will consult with outside bodies, including the Department of Trade and Industry, and the Securities and Investments Board. Mr Chris Swinson, a partner of BDO Stoy Hayward and working group chairman, expects to present a "firm recommendation" early in 1996.

Other options to be investigated include preserving the current self-regulatory scheme or setting up a UK version of the US Securities and Exchange Commission.

Judge condemns 'great lack of security' exploited by 'men of extreme danger'

Warnings over escape prison 'unheeded'

By Stephen McGookin

The escape of three dangerous prisoners last week from Parkhurst prison on an island off the south coast of England should not have happened if warnings on security had been properly heeded, Britain's Chief Inspector of Prisons said yesterday.

As the three men were heing questioned yesterday after being recaptured on Sunday night, Judge Stephen Tumim called for a full independent inquiry into the escape to run alongside the internal Prison Service investigation.

"This is a far more serious escape than Whitemoor [last September six prisoners escaped briefly from Whitemoor prison in Cambridgeshire]," he said.

"These three men of the most extreme danger got out in circumstances where there appears to have been a great lack of security and a great many warnings."

Judge Tumim said he wrote to Mr Michael Howard, the home secretary and Mr Derek Lewis, director-general of the prison service on October 7, warning that basic procedures such as searches and spot checks were not being carried out properly.

Mr Howard bas since said the warning was acted upon, but Judge Tumim said yesterday that if that was the case then the breakout should not have happened.

Problems mounted for the beleaguered Mr Howard yesterday when three low-to-medium risk prisoners escaped from Littlehey prison in Cambridgeshire.

The judge said he had also highlighted the fact that security hardware at Parkhurst had been "grossly defective". The prison's governor, Mr John Marriott, bas claimed that his requests for a touch-sensitive alarm on the perimeter fence had been repeatedly stalled.

As the three men were being questioned about the breakout and their five days on the run, it emerged that they had attempted to make good their escape in a stolen light aircraft, but it bad failed to start.

The part-time police officer who captured one of the men said the escapers' morale was very low. "I don't think they had very much idea how they were going to get off the island," he said.

● A police charity yesterday launched a £1m ($1.56m) appeal to help the dependants of officers killed or maimed while on duty. It is the first nationwide appeal by the Police Dependants' Trust, and it reflects the rising demand on funds as attacks on officers increase. The Trust was set up in 1966 after three officers had been murdered in west London.

Five days on the run

Jan 3 Hole found in perimeter fence at Parkhurst Prison. Roll check confirms that murderers Keith Rose, aged 45, and Andrew Rodger, 44, and arsonist Matthew Williams, 25, missing. They were last seen two hours earlier.

Jan 4 Men are found to have used master key to unlock gym door during fitness session, moving on to workshop where they assembled ladder made in metalwork lessons. Then cut hole in perimeter fence and scaled 8m outer wall. Prison Service admits that breakout was made possible because of "failure to follow basic security procedures". Locks changed throughout prison.

Jan 5 Prison officers claim that wing where the three were held was in effect run by inmates with drugs freely available. Master key used in escape found near phone box 50m from prison.

Jan 6 Prison Service head Derek Lewis accuses leaders of Prison Officers' Association of telling Parkhurst members not to co-operate fully with the inquiry by Service. Association accuses Lewis of "low politics".

Jan 8 Rose and Rodger recaptured on the island after off-duty prison officer spots the three escapees on road near ferry terminal serving English mainland. Williams caught 90 minutes later by unarmed special constable.

Jodge Stephen Tumim: called for independent inquiry

Labour seeks stiffer bank law

Britain's opposition Labour party yesterday called for a new Banking Act to increase competition, increase the flow of finance for small businesses and ensure more equitable treatment of retail customers, write Kevin Brown and John Gapper.

Mr Gordon Brown, the party's shadow chancellor (chief finance minister), said the party was considering a wide-ranging bill "so bank customers who have suffered a 50 per cent rise in charges during the recession get a better deal."

Mr Brown said the proposals under consideration included:

- A statutory ombudsman with powers to redress grievances.
- Contracts giving customers legally enforceable rights to know the details of charges in advance.
- Forcing banks to publish a "basket" of prices, to allow customers to compare costs.
- Increasing competition for financial servicing of small businesses by setting up regional development agencies with financial arms.
- Opening the bank clearing system "to building societies or banks other than existing British banks." Labour officials conceded later that the clearing system is already open to non-British banks.

Mr Alastair Darling, the party's spokesman on the City of London, said the party also favoured a regulator for the banks similar to those which can set a pricing regime for utilities such as water, gas and electricity.

He said the regulator would be able to set limits on charges and interest rates if profits were excessive. But Labour did not want to "sit in the boardroom in some metaphysical sense" by deciding the right level of profits. Banks were "a crucial part of the economy" and competition among them should be strengthened.

PM accused over EU split

Mr John Major, the prime minister, was accused yesterday of risking the further marginalisation of the UK in the European Union in order to placate Conservative Eurosceptics, our Parliamentary Correspondent writes.

The charge was made by Lord Richard, the Labour leader in the House of Lords, the unelected upper House of Parliament, when the hill authorising a £75m increase in the UK's net contribution to the EU in the coming financial year was given a second reading. He said undertakings given by Mr Major meant that the UK would veto any federalist proposals made at next year's inter-governmental conference which might give rise to further demands from Eurosceptics for a referendum.

Lord Richard said the other members of the EU now knew that Mr Major's negotiating position would be to "avoid trouble at home" at all costs.

"Why on earth should the others pay any attention to what Britain says at that conference?" Lord Richard asked. "This is one more step in the increasing marginalisation of Britain in its relations with the EU." While the government had lost its majority in the Commons through making passage of the bill a confidence issue, Lord Richard urged backbench Labour peers not to seek to add to its difficulties. He said any amendments approved by the Lords to a "money hill" would have no practical effect and made clear they would not be supported by the Labour leadership.

Baroness Chalker, a Foreign Office minister, confirmed that Britain's net contributions to the EU would increase to about £250m a year by 1999.

Joe Rogaly, Page 14

Financier was 'unscrupulous liar,' jury is told

By John Mason, Law Courts Correspondent

Mr Muhammed Naviede, tbe former chairman of the Arrows trade finance group, was a "tboroughly unscrupulous liar" wbo masterminded a big fraud against a number of banks, a London jury was told yesterday.

Mr Naviede, wbose company collapsed in July 1991 owing a total of about £100m, fed the same lies to the banks to continue his large-scale borrowing, said Mr Richard Latham, prosecuting.

Mr Latham was opening the prosecution of Mr Naviede brought by the Serious Fraud Office. Mr Naviede faces eight charges including two of obtaining £4m by deception from NMB Postbank, a Dutcb bank, two of obtaining credit facilities for £41m by deception from NMB Postbank and Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft, an Austrian bank.

The charges also include one of frandulent trading and others of making false statements to Arrows' creditors and its auditors. Mr Naviede denies all the charges against him.

Mr Latham said the core of the fraud was "breathtakingly simple". Arrows purported to be a company which provided trade finance. However, from the beginning of 1990 onwards there was a huge misrepresentation about the true nature of the business, solvency and profitability of Arrows, be alleged. "Because of this misrepresentation it continued to trade and increase its borrowing month after month, putting creditor banks at greater and greater risk," Mr Latham said.

Had the truth been known, the losses the company ultimately sustained would have been much lower because the banks would have stopped lending Mr Naviede money, he said.

An intricate web of interdependent companies was created by Mr Naviede to hide the truth of what was going on, he continued.

The former Arrows chairman maintained the deception hy leading an opulent lifestyle which helped suggest the company was extremely successful, Mr Latham alleged.

The trial, expected to last six montha, continues today.

UK NEWS DIGEST

Airline suspends launch of daily New York flight

British Airways has suspended tbe launch of a new daily non-stop service between Birmingham in England and New York after failing to reacb agreement with cabin crew over staffing levels. The airline was today due to introduce a 161-seat Boeing 757 aircraft instead of the current 219-seat Boeing 767. The larger aircraft flew to New York from Birmingham four days a week via Glasgow in Scotland, and three days a week direct.

A recently launcbed five-day 757 service between Glasgow, New York and Boston is not affected by the dispute, which is between British Airways and the British Airlines Stewards and Stewardesses Association, a brancb of tbe Transport and General Workers' Union.

The Birmingham service achieved its target of 100,000 passengers in its first year, but British Airways said it did not sell enough business-class seats. A survey of local business users showed that they disliked the Glasgow stopover, so it was decided to launch a direct service with the smaller aircraft. Mr George Cooper, managing director of BA Regional, said: "We cannot and will not increase our costs to operate a marginal transatlantic service which does not cover its own operating costs." *Andrew Bolger, Employment Correspondent*

Lex, Page 16

Shell/Exxon platform reopens

The Brent Alpha oil platform in the North Sea was being brought back on line yesterday after an eigbt-day closure, operator Shell Expro said. The platform, wbich has an output of 80,000 barrels a day, suspended output on January 1 because of storm damage. The company, a joint venture between Royal Dutch/Shell and Exxon, said full output capacity would be reacbed gradually.

Chevron said oil output from its Alba field was back at normal levels of about 74,000 barrels per day after being partially resumed on Friday. It said it was operating safety systems on the field manually and was therefore prone to weather-related output stoppages until damage to a floating storage unit at the field can be repaired. The field was shut on December 31 wben it suffered storm damage. *Reuter*

Power contract goes to Japan

Nichimen, a Japanese trading company, has won contracts to provide wind generated electricity to the Non-Fossil Purchasing Agency and the generating companies ScottishPower and Scottish Hydro. The Japanese company will set up a joint veoture with Micon, a Danish wind power generator manufacturer, and invest Y2bn ($20m) to build wind farms in Helmsdale, northern Scotland, and Pendine in Wales with a total power generating capacity of 16MW.

Wind farms have been criticised as being "blots on the landscape" by some environmental groups, but Nichimen said it expected to receive planning permits from local authorities within two to three months and to start operating the wind farms by the end of this year. "It's a growing business internationally, and we intend to participate in further projects," said a Nichimen official. Tomen, another Japanese trading company, has been involved in UK wind projects since 1993 and plans to increase its output by 30MW by early next year. *Emiko Terazono, Tokyo*

Lawyers' league announced

Slaughter and May, the City of London law firm, has emerged as the leading legal adviser to companies and banks involved in UK public takeovers in 1994. The firm advised companies or financial advisers in 16 deals worth £4.1bn ($6.4bn), says Acquisitions Monthly magazine, whicb ranks law firms by value of the takeovers in which they acted as advisers. The 1994 figures point to an upturn in mergers and acquisitions activity. Slaughter and May was also placed first in 1993, but acted on only 13 deals worth £1.8bn.

The firm topped the league table of lawyers acting for companies involved in takeovers. It was involved in 10 deals worth £3.3bn. These included acting for the targets in the two largest completed deals of 1994, the £766m takeover of London Weekend Television by Granada and the £577m bid by GKN for Westland Group. The increase in merger activity during 1994 was underlined by the fact that eight firms were involved in deals totalling more than £1bn compared with three in 1993. *Robert Rice, Legal Correspondent*

Legal advisers for takeovers in 1994

Law firm	No. of deals	Value (£m)
1 Slaughter and May	16	4,148
2 Freshfields	11	3,587
3 Herbert Smith	9	1,917
4 Simmons & Simmons	4	1,506
5 Clifford Chance	10	1,466
6 Linklaters & Paines	14	1,414
7 McKenna & Co	6	1,287
8 Ashurst Morris Crisp	8	1,226
9 Lovell White Durrant	2	768
10 Gouldens	6	523

Ranked by value of transactions based on completed and failed offers for UK public companies and including only those advisers involved in two or more transactions. Source: Acquisitions Monthly.

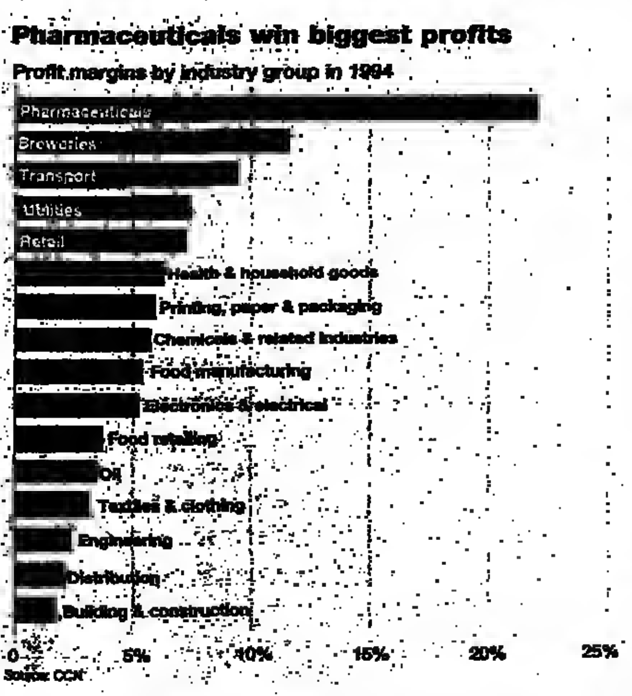
UNIVERSITY TO TRAIN JOBLESS: Plans for a university for the city of Gloucester in western England were unveiled by local organisations. The new university will aim mostly at reskilling aerospace and industry employees in the area who have lost their jobs.

WOODLAND GIFT: More than 40 acres of land nortb of Billingham in north-east England are to be donated by ICI Chemicals and Polymers to Cleveland County Council to be turned into woodland.

SUPERMARKET PROBE: The Office of Fair Trading should investigate "local and regional monopolies" held by supermarkets, says the Institute for Public Policy Research, a leftwing think-tank. In some areas two or three retailers control over half of retail space and nearly two-thirds of grocery sales, "clearly passing the 25 per cent of market share which should trigger an investigation," says the institute.

Pharmaceuticals win biggest profits

Profit margins by industry group in 1994



Brewing companies have some of the biggest profit margins of any industrial sector, says a business survey, our Economic Staff writes. CCN, a Nottingham-based credit management and data gathering group, says food retailers, textile groups and engineering companies all have relatively low profit margins.

Pharmacentical companies are the most profitable of British groups, with the highest rate of return on investment.

CCN compiled information from the accounts of the top 1,000 UK companies to calculate the financial health of sectors of the economy. It concluded that the corporate sector is in an extremely strong position. Gearing levels are at their lowest for five years, corporate profitability has risen strongly and companies are very competitive. Business coofidence remains mnted, however, and investment levels are surprisingly low.

CNN calculates that there is still considerable spare capacity in the economy because the proportion of sales in relation to fixed assets is only half of its late-1980s level.

Transport spending shortfall rapped

By Charles Batchelor, Transport Correspondent

Spending on transport infrastructure in England, Scotland and Wales by municipal authorities will fall £1.9bn ($3bn) short of the £4.7bn needed in 1994-1995, says a survey by the Institution of Civil Engineers.

The institution said the findings underlined how badly transport investment in Britain compared with that of most other industrialised countries. The institution said international comparisons showed that the UK spent less than the European average on its land transport infrastructure.

Switzerland spent more than £1,800 per head of population between 1980 and 1989. Germany spent more than £1,300 and France just less tban £1,000. Tbe UK spent nearly £600 compared with the European average of nearly £700.

Most of the 95 authorities which responded expected traffic volumes and congestion to increase this year. The survey revealed shortfalls of nearly £1bn in spending on transport infrastructure and of almost £900m in maintenance spending.

Professor Tony Ridley, the institution's vice-president, said: "These results must be a source of anxiety for all concerned with the future of transportation in this country. Coming on top of substantial cuts in November's Budget, they indicate a degree of underfunding which will increasingly constrain the nation's quality of life and industrial competitiveness."

Among the local anthorities, 63 per cent said public transport was the sector on which they placed the highest priority for development and 41 per cent identified buses as the most important area. That compared with 49 per cent which highlighted road spending.

City properties attract influx of overseas investors

By Simon London

The past year was the seventh in succession in which overseas investment in UK commercial property topped £1bn.

AP Fonden, the Swedish national pension fund, bas been one of the most active foreign investors. Last month it acquired Milton Gate, an office block at Moor Lane in the City, from Land Securities for £76.5m.

The purchase was AP Fonden's second big City property deal last year. In summer it paid £61m for Angel Court Tower near tbe Bank of England. Mr Carl Johan Aberg, managing director, said the fund would make further investments this year if it could find suitable properties.

The Milton Gate acquisition shows that overseas funds often have different tastes from their UK counterparts. AP Fonden bought the property on a yield of 8.85 per cent, while most UK funds are buying buildings let on long leases on yields as low as 5 per cent.

German open-ended investment funds, which first appeared on the scene in 1991, have also remained keen buyers of central London property. In 1993 German investors commited £730m to the market and made some of tbe biggest transactions last year.

Perhaps the biggest City investment deal last year came from German fund Difa, which paid £106m for 6-8 Bishopsgate in June. In July Despa, another German fund, paid £104m for the Victoria headquarters of the John Lewis retail group.

Tbe inflow of overseas money into the UK commercial market totalled about £1.8bn last year, almost all of it channelled into central London. This is well below the inflows of more than £3bn in 1988 and 1989 but the flood of overseas investment in the late 1980s was partly the result of deregulation overseas.

The appearance of Swedish and Japanese funds in London in 1989-90 was facilitated by loosening of regulations, whicb allowed them to buy properties abroad for the first time.

The encouraging sign is that overseas funds have continued buying in London even though the first flusb of excitement surrounding deregulation has passed. As the market improves foreign investors are turning tbeir attention to development as well as buying finished buildings.

Development Securities, the developer run by Mr Martin Landau, has backing from German fund Haus Invest for its refurbishment of 320,000 sq ft of offices at Silk House and Milton House in tbe City. The space has been pre-let to solicitor Linklaters & Paines so the project is low-risk for tbe developer.

It remains to be seen whether overseas funds will be willing to back speculative developments – the area where UK banks and pensions funds still fear to tread.

The next wave of investment could come from east Asia. In 1993 investors from the region committed £400m to UK commercial property.

The total for last year was thought to be almost as high. However, east Asian investors are more active in residential rather than commercial property.

The main growth in the UK's commercial property market in the next six months is expected to come from the retail trade, Robyn Cbalmers writes. The first survey by tbe Confederation of British Industry, the country's biggest employers' organisation, and property consultants Grimley J.R. Eve suggests that there is likely to be an overall net decline in demand in the period.

Mr Sudhir Junankar, CBI associate director of economic analysis, said the trend towards retailers taking the lead in boosting their property requirements was in line with the positive investment intentions signalled by last month's CBI distributive trades survey. He warned that the outlook for growth in consnmer demand remained modest. Mr Alistair Voaden, senior partner at Grimley J.R. Eve, believed the survey showed that business optimism and output were increasing, but thst had not yet created an overall net increase in demand for property.

MANAGEMENT: THE GROWING BUSINESS

Upbeat mood for 1995

Small and medium-sized UK enterprises are more optimistic about prospects for the current year than they were at the start of 1994.

They are more upbeat than businesses in the European Union as a whole, and markedly more so than those in France and Germany. But they may be missing out on new export opportunities.

These are some of the initial findings from the third annual *European Business Survey*, carried out by Grant Thornton International and the economic consultancy Business Strategies.

Full results of the research, carried out in October and November on the basis of 5,000 replies from companies with a turnover of between Ecu1m (£780,000) and Ecu10m, will be published in Brussels in May.

The UK optimism is most notable for the key indicators of turnover, employment, profitability and investment. Three-fifths of the UK businesses polled were expecting to increase profitability, compared with just 46 per cent for the EU as a whole.

Most UK companies also expect to see more spending on training, advertising and investment in new plant, equipment and buildings.

Only in exports and research and development are UK expectations lower than elsewhere in the EU: 20 per cent forecast a rise in exports, against 29 per cent across the EU. "It is clear that SMEs in the UK are still not maximising export opportunities to the same extent as those in the EU," says Andrew Godfrey, head of growth and development services at Grant Thornton.

Conversely, he adds, "the stronger economic climate is generating expectations of higher selling prices among nearly half of UK small and medium-sized enterprises. This is surprisingly optimistic and many may find that such widespread increases cannot be achieved".

Tim Dickson

The demise of South Thames Tec raises serious questions, writes **Rhodri Morgan**

A quasi-quango exposed

Should we be sad or glad about the South Thames Training and Enterprise Council going into receivership? It is the first of these neither chalk nor cheese animals to go into insolvency. There are 82 of them in England and Wales, and another 22 Local Enterprise Companies (Lecs) doing a similar job in Scotland.

Should we accept it as an opportunity to think through what Tecs really are? Are they quangos? Are they private companies? Or are they sub-sections of the Department of Employment? If the answers to those questions had been clearer from the beginning, perhaps the South Thames Tec might not have gone under so ignominiously.

The Tecs are the victims of a "double message" from the government. Nominally they are companies, so they must be more independent than the quangos. At the same time, when they are being audited and monitored, they are no more than extensions of the civil service departments which sponsor them.

A Tec is a private company limited by guarantee. Its chairman is chosen by its own board and not by the secretary of state. The board itself is self-nominated. The secretary of state sets criteria for membership but does not choose the individuals. They simply "emerge" from the local employer community, although not elected by nor accountable to them.

The Tec generally receives a one-year contract from the department to administer training programmes in its own geographical area, in this case central London. This includes both the standard government youth and adult training programmes and any specialist skill-based schemes specified by local firms.

A typical annual budget for a Tec would be £20m of taxpayers' money. The Tec does not earn that money; it receives it from the department and has to account to parliament for every penny. And there is the rub. It pays the training companies to provide the training – not with the Tec's own money but with "our" money, voted by parliament. That is where the vaunted independence and operational freedom of the Tec breaks down.

Unlike a Tec, a true quango's board members and chairman are nominated by its sponsor – the secretary of state. The board then appoints a chief executive. He or she then takes over financial responsibility for the annual budget voted by parliament for the quango. The chief executive is the accounting officer.

That is where the title of quango comes from. It stands for quasi-autonomous non-governmental organisation. Quasi-autonomous refers to that transfer of financial responsibility for the taxpayers' money from the government department to the agency.

With the Tecs, that transfer of responsibility never actually takes place, which is why the term quasi-quango is more appropriate. The South Thames Tec accounting officer – a parliamentary term for the official with whom the buck ultimately stops – is not its chief executive, nor as you might have thought, its finance director. It is good old Sir Humphrey, the permanent secretary of the Department of Employment.

If serious losses arise from the receivership – and they have already reached £2m – the public accounts committee will want to cross-examine those responsible. The only possible person to get the "invitation" to appear will be the permanent secretary and his head of finance.

That problem is at the heart of the "double message" received by all of the Tec board members when they took up the reins four or five years ago. "You are all managing directors or chief executives – not personnel managers," the permanent secretary effectively told them. "You know how to run a business. I don't tell you how to run your business. Run this Tec as you would your own set-up.

"P.S. Any breach of civil service rules when you order three ha'pence of paper clips will be regarded as improper use of money. It could result in my public humiliation by the National Audit Office or the committee of public accounts. P.P.S. That applies as well to any of the scores of training companies you sign contracts with. So watch it."

The Tecs do not, therefore, have any financial or audit autonomy at all. They are less independent than the quasi-autonomous quangos. They are simply extensions of the civil service. As the saga of the administrative receivership of the South Thames Tec gradually works itself out, all these paradoxes will come to the fore. It must now be time for a rethink.

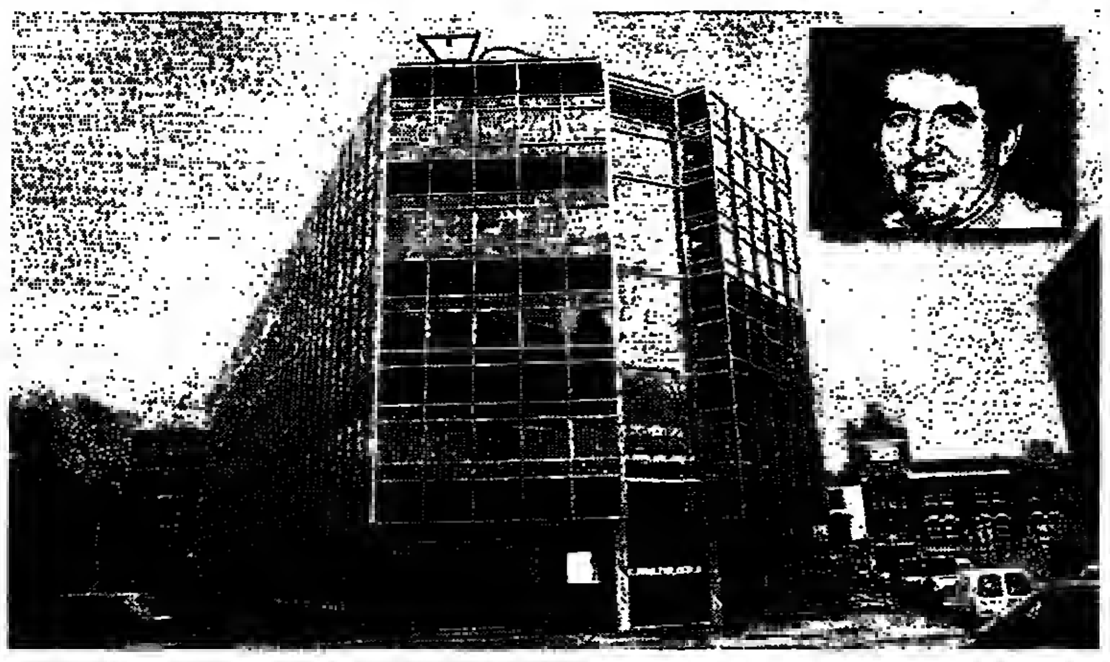
Are the directors of a Tec liable in a receivership? What are the respective financial responsibilities of the board, chief executive and finance director relative to the permanent secretary of the department?

If the board of the South Thames Tec was heading for the rocks, why did no enterprising group of local notables in the employer community seek to oust them and take over the franchise? Is receivership the only answer to a Tec in trouble? Why is there never any competition to take on a Tec franchise? Are they, in fact, localised private monopolies commanding and controlling the taxpayers' millions? Do they have a legitimate franchise?

The Tecs are by no means alone in having such an ill-thought out quasi-quango status. What are grant-maintained schools after all? What is the embattled student loans company? What are GP fundholder practices?

The government has a taboo on creating more civil service jobs. Now it has a taboo on creating more quangos. It certainly does not want more nationalised industries. What does it do when it wants a public service job done? It creates quasi-quangos. Now nobody knows who carries the can when anything goes wrong. And it is, after all, our money.

The author is Labour's front bench spokesman on Welsh affairs.



Ashley Ashwood

South Thames Tec: lost between being a private company and an extension of a government department, says Morgan (inset)

London set for wider links

After nearly two years of wrangling, a new one-stop service providing the framework for a pan-London network of advice and support services should be available to greater London's 200,000 businesses by July.

Approval has been granted by the government to Business Link London, which will act as an umbrella over nine local Business Links throughout the capital. Finalisation of the contract for the initiative, which draws together the plethora of agencies providing such support, depends on a successful negotiation with the Department of Trade and Industry over finances.

Business Link London is seeking about £4.5m a year for the first three years of the initiative. This would cover the provision of common services for the nine local Business Links that are planned for the capital, information technology networks and London-wide marketing.

Approval has not yet been granted to all the local Business Links in the capital, which will provide personal business advisers who visit companies, assess their needs and refer them to specialist agencies.

The establishment of a Business Link organisation in London, as elsewhere, has involved turf battles between the agencies which the DTI wanted to come together. Partners included chambers of commerce and Tecs, which deliver publicly funded training programmes and stimulate enterprise.

The partnerships have been fashioned against the wishes of some chambers of commerce, fearful they might lose members and their reason for existence. Some Tecs in London only joined the pan-London initiative after the DTI, which funds Business Links, refused to let them provide their support services independent of a Business Link organisation.

Lisa Wood

In a Nutshell

Investor workshops ready to roll

Venture Capital Report, the Henley-on-Thames-based company-marriage bureau that brings together entrepreneurs and potential investors, is holding a series of workshops on investing in unquoted companies and start-ups.

The organisers say they will be drawing from 16 years of successes and failures and on the experience of Lucius Cary, VCR's managing director, who has run a small seed fund for 10 years. Subjects to be covered include how to structure a deal, the types of legal agreements and what happens when a company needs to come back for second and third rounds of capital.

The day-long workshops will run monthly with the first on January 26. Cost £150, details from VCR on 01491 579999.

Natwest cash card for businesses

National Westminster Bank has introduced a cash card for businesses enabling limited liability companies to withdraw up to £250 any time there is money in their account. The cards can also be used to check account balances, and order statements and cheque books.

Brushing up on PR skills

An ex-Sunday Mirror journalist is one of the speakers at Getting to Grips with Public Relations, a seminar for small businesses run by the PR firm Holder Swan. The one-day event covers all basic PR skills including campaign planning, writing press releases, capitalising on strengths, organising pictures that appeal to the press and media interviews. The advance hype talks about delegates being told "how to improve their chances of seeing their press release transformed into column inches".

Details from Sylvia Holder on 0171-267-6022.

PEOPLE

Ace move from Lotus position

Amstrad has recruited Paul Bailey from Lotus Development, the US software group, to become managing director of its loss-making Amstrad Consumer Electronics (Ace) subsidiary. Bailey, who will take up his new post on February 1, has been vice-president in charge of Lotus Development's European, Middle East and African operations.

His appointment is part of the strategy being put in place by David Rogers, Amstrad's chief executive who was recruited from Philips in August. Rogers plans to turn Amstrad into a holding company with operating subsidiaries in the consumer electronics, telecommunications and personal computer sectors.

Amstrad has made a number of recent acquisitions including the purchase of Viglen, the personal computer manufacturer last year, and Dancall Telecom, the Danish telecommunications equipment manufacturer. Ace represents the core of the old Amstrad consumer electronics business which has suffered as a result of fierce price competition in the high street.

In November, as part of Amstrad's new strategy, Amstrad Business Direct was launched to sell Amstrad-branded personal computers and facsimile machines direct to customers instead of through high street retailers. Amstrad recruited Lindsay McEwan, from BBC Direct, to run that new operation.

Bailey, 46, has spent the past six years with Lotus which he joined from Digital Research, another US software group (now part of Novell) where he was senior vice-president in charge of Europe.

Digital Research supplied the operating system software for the first Amstrad personal computers launched in the mid-1980s. Previously Bailey worked for Tektronix and the Ministry of Defence.

According to Rogers, Bailey "will have overall responsibility for Ace and will be assisted by a number of other managers recently or now being recruited. Today Ace accounts for approximately 45 per cent of Amstrad, and these appointments are therefore key to the rejuvenation of the group." *Paul Taylor*

Finance moves

Lloyds Bank has appointed Gordon Pell (above) to a newly created post to be in charge of UK retail banking operations.

Pell, 44, says his role is a bringing together of responsibilities previously spread among a number of jobs: he will be answerable for the efficient running of the Lloyds branch network. "My job will be to put teeth into the various service initiatives we have been undertaking for the past couple of years," he says.

He will also set operational standards measuring the service the bank delivers to customers, to put alongside customer reactions to levels of service.

The creation of the new post comes as Lloyds is reviewing the way the different business elements of the bank relate to each other within the organisation.

The customer in the branch should not, however, bank on immediate and sharp changes in how Lloyds behaves; Pell believes the greatest impact on customers will be in an absence of – or at least reduction in – errors, rather than through a dramatic shift of policy. *Alison Smith*

■ Foreign & Colonial has found a new Indian chief. Jeff Chowdhry has been lured away from BZW Asset Management to be head of the Indian equity desk at Foreign & Colonial Emerging Markets in London.

Chowdhry, 34, spent seven years at BZW where he managed the $500m New York listed India fund, the largest of its kind in the UK. His decision to move to F & C, where he will manage the $165m Indian Investment Company SICAV, as well as have responsibility for investment activities throughout the sub-continent, was motivated by a desire to be part of a group dedicated to emerging markets. Chowdhry replaces Sanjit Talukdar, who set up the India fund and is returning to India to join his family's business.

Chowdhry believes that in spite of the poor performance of Indian equities last year – the country's main stock market in Bombay recorded a new nine month low last week – the climate is improving. *John Pitt*

■ Colin Cornwall, the independent chairman of the Mirror Group Newspapers Pension Scheme, has retired after nearly three years in the post.

Cornwall, an actuary, was appointed following revelations that pension schemes controlled by the late Robert Maxwell were missing assets valued at over £440m. Cornwall has presided over *the* MGN Pension Scheme while efforts are being made to persuade financial institutions and others who did business with Maxwell to make up the shortfall in the various schemes.

Cornwall's replacement is Philip Sheridan, a former director at Norwich Union, the mutually-held insurance company. Sheridan retired from Norwich Union on his 60th birthday in August but remained with the company until the end of December. *Norma Cohen*

■ Sykes Wilford has been appointed an md at BANKERS TRUST's global investment management group; he moves from Chase Manhattan in London.

■ Sally Marshall, formerly deputy md of pension funds at Henderson Administration, has been appointed institutional marketing director at HILL SAMUEL Investment Management, where she had previously worked for eight years.

■ Charlotte Bruce, formerly director of manpower planning and executive development at BZW, has been appointed md, UK human resources, at NATWEST Markets.

■ Mike Hines, settlements director, is also appointed finance director of WINTERFLOOD SECURITIES when David Codd takes early retirement.

■ Robert Mee, general manager of central financial services, has been appointed to the board of NWS BANK.

Bodies politic

Hugh Harris, who took early retirement last November after a life-long career at the Bank of England, has re-emerged as director of operations for London First, the business-led initiative promoting the UK capital.

Harris, who says he has long been interested in "London and ethnic minority issues", got in touch with chief executive Stephen O' Brien when he knew he would be leaving the Bank. He describes the new four-day-a-week job as "helping [O'Brien] do what he does". This will principally involve internal administration as well as putting to work his own knowledge and City contacts.

In his last post as associate director responsible for corporate services, Harris was the Bank's representative for Business in the Community. In a personal capacity he is also special adviser to the board of the City and Inner London North TEC, and is expected shortly to be appointed a part-time commissioner at the Commission for Racial Equality. *Katharine Campbell*

■ John Brown, VAT consultant at Binder Hamlyn, has been appointed to the panel of VAT AND DUTIES TRIBUNALS.

■ Geoffrey Shindler, a partner in Halliwell Landeu, has been elected national chairman of the SOCIETY OF TRUST & ESTATE PRACTITIONERS.

■ Ina Barker (below left), who recently took early retirement as group risk and insurance manager at Fisons, has been appointed executive director of The ASSOCIATION of RISK MANAGERS in INDUSTRY and COMMERCE, which represents risk managers and insurance buyers from some of the UK's largest companies. She takes over from Alan Fleming, who has been on secondment from ICI Insurance.

■ Robert Binyon (below right), formerly md of Tokai Bank Europe, has been appointed director of the financial markets department of the COMMONWEALTH DEVELOPMENT CORPORATION.

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

In re: FIRST CITY BANCORPORATION OF TEXAS, INC., Debtor. § Case No. 392-39474-HCA-11 § Chapter 11

NOTICE TO ALL PARTIES IN INTEREST AND EQUITY SECURITY HOLDERS OF FIRST CITY BANCORPORATION OF TEXAS, INC. OF THE HEARING TO CONSIDER APPROVAL OF PROPOSED PLANS OF REORGANIZATION

All creditors of First City Bancorporation of Texas, Inc. ("First City"), shareholders and other parties in interest, including all holders of First City Bancorporation of Texas, Inc. common stock, First City Bancorporation of Texas, Inc. Series A Preferred Stock, First City Bancorporation of Texas, Inc. Series B Preferred Stock, First City Bancorporation of Texas, Inc. Series E Preferred Stock, and the indenture trustees for the 13 1/4% Notes due September 15, 1992, the Floating Rate Notes due January 1995, and the Subordinated Floating Rate Notes due April 1996, issued by First City Bancorporation of Texas, Inc. are hereby notified that on December 23, 1994 the Bankruptcy Court approved the Omnibus Disclosure Statement, the Supplemental Disclosure Statement filed jointly by J-Hawk Corporation, First City Bancorporation of Texas, Inc., and the Official Committee of Equity Security Holders for First City (the "Equity Committee"), and the Supplemental Disclosure Statement filed by the Official Committee of Unsecured Creditors for First City Bancorporation of Texas, Inc. (the "Creditors' Committee"), (collectively the "Plan Proponent Disclosure Statements") as containing adequate information under section 1125 of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that a hearing (the "Confirmation Hearing") will be held to consider confirmation of the plan of reorganization for First City filed jointly by J-Hawk Corporation, First City and the Equity Committee, and the plan of reorganization filed by the Official Committee of Unsecured Creditors for First City Bancorporation of Texas, Inc. (the "Creditors' Committee"), on March 6, 1995 (collectively the "Competing Plans") beginning at 9:15 a.m. before the Honorable Harold C. Abramson, United States Bankruptcy Judge for the Northern District of Texas, United States Courthouse, 1100 Commerce Street, 14th Floor, Dallas, Texas 75242. The Confirmation Hearing may be adjourned from time to time without further notice, except for an announcement made at the Confirmation Hearing.

PLEASE TAKE FURTHER NOTICE that on January 30, 1995 at 9:15 a.m. the Court will commence the Confirmation Hearing and begin hearing evidence with respect to compromise and settlement agreements incorporated into any of the Competing Plans.

PLEASE TAKE FURTHER NOTICE that all objections to any or all of the Competing Plans in order to be timely must be filed with the Clerk, United States Bankruptcy Court, 1100 Commerce Street, Room 12A24, Dallas, Texas 75242-1496, and a copy delivered to the following parties so as to be received no later than 4:00 p.m. (Dallas, Texas Time) on February 21, 1995: (a) Carrington, Coleman, Sloman & Blumenthal, L.L.P. (Attention: Stephen A. Goodwin, Esq.), Attorneys for First [illegible]

PLEASE TAKE FURTHER NOTICE [illegible]

PLEASE TAKE FURTHER NOTICE [illegible]

DATE: December 29, 1994.

/s/ Stephen A. Goodwin
Stephen A. Goodwin
State Bar No. 08186500
Larry T. Bates
State Bar No. 01906990
CARRINGTON, COLEMAN, SLOMAN & BLUMENTHAL, L.L.P.
200 Crescent Court, Suite 1500
Dallas, Texas 75201
(214) 855-3000
(214) 855-1333 - Fax
ATTORNEYS FOR FIRST CITY BANCORPORATION OF TEXAS, INC.

CALL FOR TENDERS
FOR THE PURCHASE OF THE GROUPS OF ASSETS OF "I.N. STASINOPOULOS A.E.B.E.", OF ATHENS, GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 1 Skouleniou Str., Athens, Greece, in its capacity as Liquidator of "I.N. STASINOPOULOS A.E.B.E", a company with its registered office in Athens, Greece, (the Company), presently under special liquidation according to the provisions of article 46a of Law 1892/1990, by virtue of decision No. 5069/94 of Athens Court of Appeal

announces a call for tenders

for the purchase of any or all the groups of assets mentioned below, each one of which is being sold in a single entity.

BRIEF INFORMATION

[illegible]

GROUPS OF ASSETS OFFERED FOR SALE

[illegible]

OFFERING MEMORANDUM - FURTHER INFORMATION

[illegible]

TERMS AND CONDITIONS OF THE AUCTIONS

[illegible]

TECHNOLOGY

Obesity in some people may be caused by a treatable brain dysfunction, writes **Victoria Griffith**

Message from a fat mouse

The only prescription most pbysicians offer obese patients is to eat less and exercise more. Bnt with scientific understanding of fat expanding, drugs could become a standard part of treatment.

Obesity researcb is increasingly concentrating ou controlling brain functions as a way of shedding unwanted pounds. Scientists' recent discovery of a gene responsible for obesity in mice has lent credence to the idea that fat may be a treatable brain dysfunction.

A team of researchers led by Jeffrey Friedman of the Howard Hughes Medical Institute at Rockefeller University in New York found that by damaging a specific gene in mice, they destroyed the animals' ability to control their appetite. The mice became obese.

'The temptation may be for everyone to think they have a genetic defect which prevents them from being thin'

The mouse gene works by creating a hormone-like protein that tells the brain when fat intake has been sufficient. Scientists say they have identified a likely gene counterpart in humans.

The research does not target people concerned about their non-model type figure. Obese people are medically defined as being 20 per cent or more above their ideal weight, which allows for a generous range of hody types.

If the gene mechanism works in humans the same way as in mice, many obese people may be incapable of knowing when they have eaten enough. The gene discovery may spawn a frenzy of activity in obesity research.

"This is one of those pivotal points where scientists have obtained some key information to base new experiments on," says Phillip Gorden, director of the US's National Institute of Diabetes, Digestive and Kidney Diseases, part of the National Institutes of Health (NIH), which helped finance the study. "Because the reactiou is based on a protein, biotechnology will probably play an important role in drug development."

Drugs with neurological effects, such as Prozac (an antidepressant shown in clinical trials to suppress appetite) and dexfenfluramine (an appetite suppressant), are available in the UK and in France to help weight control, and may soon obtain approval in the US. Dexfenfluramine was developed by a husband-and-wife team of neuroscientists at the Massachusetts Institute of Technology.

There is a large potential market for obesity drugs. Nearly a third of Americans are obese, compared with a quarter 20 years ago, according to the Centres for Disease Control and Prevention, and Americans spend some $2bn (£1.2bn) at weight-loss clinics each year.

Although fat is revered in some cultures, which see it as a sign of wealth, in the western industrialised world it is frowned upon. Fat also poses health hazards, including higher risk of cancer, heart disease, diabetes and arthritis.

Whila there is now evidence of a medical cause, the rising incidence of obesity continues to point to lifestyle as an important factor. One of the main challenges for scientists seeking to treat obesity will be sorting ont those who are genetically prone to being fat from those who simply need to be educated abont healthier habits.

"It is very easy to diagnose that a person is fat," says Judith Wurtman, one of the MIT scientists who developed dexfenfluramine. "It is extremely difficnlt to diagnose why they are fat. The temptation may be for everyone to think they have a genetic defect which prevents them from being thin." Judith Wurtman and her husband Richard Wurtman believe that some people are carbohydrate cravers.

"There are some people who will over-eat cookies or candies who would never dream of eating too much chicken," says Judith Wurtman. The Wurtmans believe the inability to control these urges may be because of a shortage of serotonin, a brain chemical affecting mood and behaviour. The drug they developed, dexfenfluramine, causes nerve endings to make more serotonin.

The Wurtmans insist their drug is not meant to be a magic bullet treatment, and that it must be taken as part of a regimen which includes diet and exercise. However, some scientists see a danger in this kind of medicine.

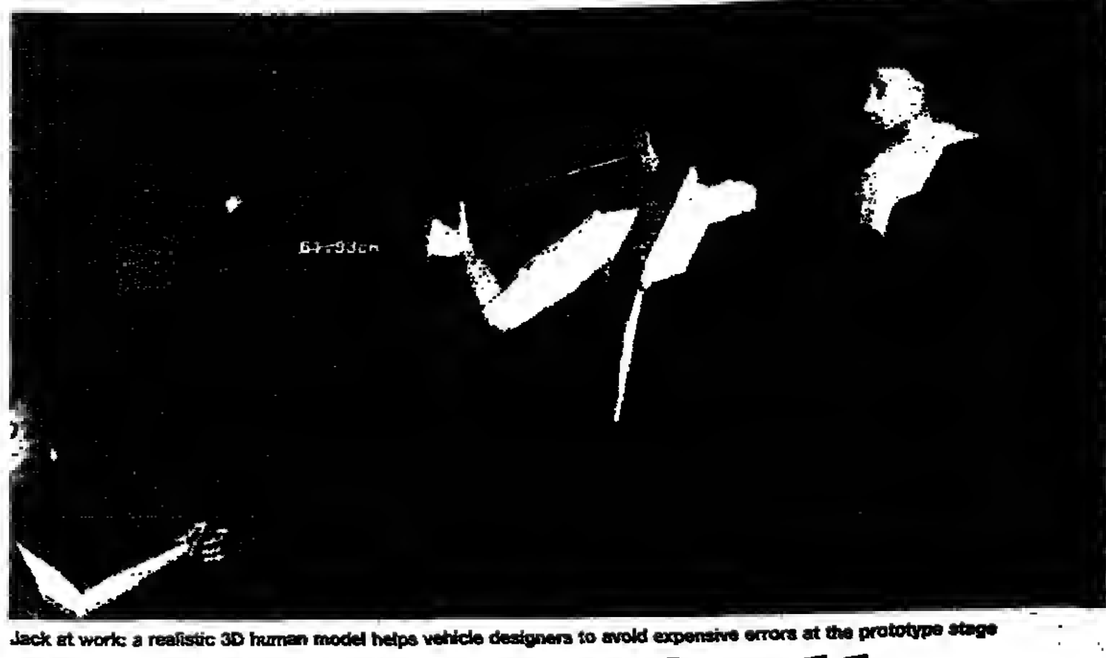
"There is no evidence that ouce people are taken off this drug, they won't gain the weight right back," says Gorden. "And lifelong treatment is something that needs to be considered very carefully."

The discovery of the obesity gene in mice was cause for celebration for many overweight people

The lack of any long-term impact is one of the reasons physicians reject amphetamines, once widely used as appetite suppressants. Another problem with amphetamines is that dosages need to be constantly increased to achieve the same effect, capturing patients in an npward spiral that can lead to substance abuse.

News about the discovery of the obesity gene in mice was cause for celebration for many overweight people. "It means I have a medical problem, that I'm not just a despicable person with no will power," says Carmen Leigh, a Boston nurse who has fought excess weight all her life.

But scientists cantion that drugs are unlikely to provide a miracle cure.



Jack at work: a realistic 3D human model helps vehicle designers to avoid expensive errors at the prototype stage

Jack of all trades

Virtual reality's newest 'inhabitant' is transforming a lonely world, explains **Jane Stirling**

Traditionally, virtual worlds have heeo lonely places, populated hy strange inhuman creatures with limited capacities and unrealistic movements. But 20 years of research at the University of Pennsylvania under the direction of Norman Badler have produced a dynamic virtual human figure, accurate in terms of body geometries, body movements and associated behaviours.

The software that generates this figure is called "Jack", although this name is more ofteo applied to the simulated human.

One of the most important uses for a realistically-modelled 3D virtual human is in the design of vehicles and workspace layouts for human operation and usage. In this way, expensive prototype errors can be avoided. The figure can be programmed to move about within the unbuilt design, testing the layout for optimal positioning of features, ensuring they are reachable, visible, usable and safe.

With the aid of a toolbox of hammers and spanners, the figure's fully jointed hands can even be used to assess engine layouts for ease of maintenance and accessibility, a feature that Vickers, the defence contractor, is exploiting in the design of vehicles. The company is also using Jack for studies on the design of armoured fighting vehicles.

John Deere, the US company, has used earlier versions of Jack since 1985 to design everything from bulldozers to garden equipment. Jack has many features which optimise it as a tool for adding human factors to computer-aided design, particularly for the layout of cramped or limited spaces, such as aricraft cockpits or car interiors.

With the exception of the hands, the figure's body is built from 39 segments, articulated at 38 joints. These operate within programmable degrees of freedom, giving realistic limitations of movement which can be further constrained to simulate the wearing of body armour or seat-belts.

Additional mass can be added to individual body segments so that tasks requiring lifting, for example, can be simulated. Such programmable additions also allow accurate predictions of spacial requirements, such as access facilities or the layout of vehicle controls.

Jack figures are custom-built from a database of body measurements compiled during a 1988 survey of US Army personnel. Measurements are displayed on-screen as a spreadsheet and selected data can he imported into the programme to construct wire-frame human figures with the mass and size representative of various percentiles of the workforce population.

The figure can then be realistically rendered, textured and coloured to produce a virtual human, complete with hair, eyes and clothing. It is possible to increase its size on screen to give an accurate idea of spacial requirements or workforce limitations.

The movement of the human figure around its virtual environment is mathematically accurate and can be programmed to avoid collision with structures within the design. A realistic body posture is maintained, even if this means the figure taking the odd step or two to restore natural balance.

The movement of one part of the body is compensated for hy movement in another – a reaching movement might, for example, be accompanied by bending the knees – and this feature permits the designer to predict the body space needed to complete a task.

Jack has a feature which allows the design engioeer to "see" through the figure's eyes. The view appears as an eye window on screen and changes as the figure moves its body, head or fully articulated eyes.

Being able to see within the virtual design in this way permits the design engineer to avoid problems of visual interference, which might jeopardise safety or reduce efficiency in the finished product. Caterpillar of the US has been using this feature to assess advanced cab designs in earth-moving trucks.

Michael Goom, ergooomics manager Britisb Aerospace, says the use of Jack can save money. "Jack allows you to explore ergonomic implications of future designs before you spend lots of money on mock-ups and prototypes."

Jack's functionality can be extended by use of Lisp programmes, which allow tbe design engineer to add in new behaviours linking human action to design. In this way, the design itself can respond to the figure's actions. A virtual vehicle, for example, will turn wben steered; a radlo will switch on and play when the button is pressed.

An 18-sensor glove worn by the user permits more datailed hand movement, giving control for hand-task analyses and realistic use of equipment within the design.

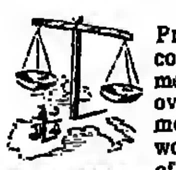
Full body sensors, made by Ascension Technologies of the US, translate the users' body movements into similar movements of the figure on screen, allowing the design engineer to operate and test the unbuilt design.

The sensors are worn on the palms of the hands, the head and waist and their number is limited to permit unencumbared movements by the user. By following the virtual human with the eyes, the design engineer can reach out into thin air and pull levers or push buttons, non-existent in the real world but present and operational in the virtual one. Design engineers can thus test-drive a product before it is aven built. Stereoscopic glasses permit the human figure and its virtual environment to be viewed in full 3D.

The University of Pennsylvania aims to make further improvements, with the ultimate goal of a perfectly realistic human figure. Already body organs have been modelled with a high degree of geometrical accuracy and this capability is used to test medical devices oo screen. Other potential uses could emerge from the development of speech, facial expression and body gestures.

BUSINESS AND THE LAW

Overtime rules do not discriminate



EUROPEAN COURT

Provisions in collective agreements which limit overtime payments to hours worked in excess of the normal working hours of full-time employees do not discriminate indirectly against part-time workers, the European Court of Justice ruled recently.

The Court heard six cases, all involving female part-time workers in Germany, who claimed they were entitled to overtime for hours in excess of their individual working hours at the same rate applicable for overtime worked by full-time employees.

The women claimed the restrictions on overtime payments in the collective agreements that payments would only be granted for overtime worked in excess of normal full-time working bours were discriminatory and in breach of the Treaty of Rome.

The issue was referred to the ECJ by the German courts for a preliminary ruling. The German, French, Greek and UK governments intervened in the proceedings.

A defendant in one of tbe cases argued that the reference for a preliminary ruling was inadmissihle because, even if the overtime conditions hreached the Rome treaty, the plaintiff could not obtain the overtime payments sbe sought. If the national court annulled the contested provisions, the result would be a legal vacuum.

The Court said it was bound in principle to rule on any question referred to it by a national court if that question concerned the interpretation of Community law. In the present cases, the questions relating to the interpretation of Community law were undoubtedly germane to the disputes before the German courts.

As to the issue of a legal vacuum, the Court reiterated that the relevant provisions of the Rome treaty prohibiting discriminatiou were sufficiently precise to be relied on before the national courts by individuals seeking to have set aside any provision of national law. This would include, if necessary, a collective agreement whicb proved incompatible with treaty provisions.

The ECJ added that, if the national court set aside the provisions of a collective agreement because they were incompatible with the EC treaty's non-discrimination provisions, then the category of persons discriminated against was entitled to enjoy, from that moment, the benefit of provisions applicable to other workers in proportion to their working hours. There would thus be no legal vacuum created if the domestic provisions ware annulled.

The Court said it was common ground between the parties that the relevant domestic provisions did not constitute direct sex discrimination. To determine whether they constituted indirect discrimination the Court had to determine whether the provisions established different treatment for full-time and part-time employees and, if so, whether that difference affected considerably more women than men.

Only if those questions were answered in the affirmative did tbe question arise as to the existence of objective factors unrelated to discrimination which could justify such a difference in treatment. The court said there was unequal treatment whenever the overall pay of full-time employees was higher than that of part-time employees for the same number of hours worked on the basis of an employment relationship.

In the present cases there was no unequal treatment because the part-time workers received the same overall pay as full-tima employees for the same number of hours worked. Part-time workers were also antitlad to the same overtime pay as full-time workers if they worked more than the normal working hours of full-time workers.

The domestic provisions therefore did not give rise to different treatment between part-time and full-time workers, and there was no discrimination incompatible with the provisions of the Rome treaty.

Joined cases C-399/92, C-409/92, C-425/92, C-34/93, C-50/93 and C-78/93: Helmig and others v Stadt Lengerich and others, ECJ 6CH, December 15 1994.

BRICK COURT CHAMBERS, BRUSSELS

Networkers: Peter Scott, managing partner of Jaques & Lewis, (left) Peter Cole and Victor Semmens, respectively managing partner and chairman of Eversheds, and Jeremy Raisman, senior partner of Jaques & Lewis

The case for bigger being better

Robert Rice on a new national law firm network in the UK

Further evidence of the restructuring of the UK legal services market following the recession emerged this week when Jaques & Lewis, a medium-sized City law firm, joined the Eversheds group. The arrangement ends a two-year search by Eversheds for a suitable London partner to complete its national law firm network.

Initially, Jaques & Lewis will trade under the name Eversheds Jaques & Lewis. From June all seven firms in the group will abandon their local identities and operate as Eversheds.

Eversheds makes bold claims for its new structure. Mr Victor Semmens, its chairman, says it is now the second largest law firm in the UK, the world's fifth largest, and first to operate on a fully national basis in England and Wales.

The enlarged firm acts for 83 companies publicly listed in the UK. It will have 273 partners and 950 fee earners, enabling it to compete with the largest City law firms in the domestic legal services market. "These are resources we can deploy to meet the needs of any client in the UK," Mr Semmens says.

But City lawyers are not convinced. "It's a million miles from the truth," says a senior partner at a leading City law firm.

"It's not going to change the national or the world scene. Eversheds will remain a collection of strong regional firms trading under one name. Jaques & Lewis isn't suddenly going to become attractive to big clients because it has joined this group," he added.

Other lawyers say dropping local identities for a single name will not make Eversheds a national law firm. Moreover,individual firms in the group risk losing local goodwill.

Mr Paul Rhodes, senior partner of the Leeds, London and Birmingham law firm, Dibb Lupton Broomhead argues that, until tbe Eversheds' firms stop operating as separate profit centres and begin profit sharing, they will remain no different from other law firm associations, such as the Norton Rose/M5 gronp.

Mr Semmens is unruffled by such comments. He believes too much is made of the lack of profit-sharing which, he says, is difficult to organise to the satisfaction of all parties involved. So long as the absence of profit sharing does not hold up developing a national practice, it is not a priority for Eversheds.

He compares the Eversheds structure with that of large UK accountancy practices, particularly KPMG Peat Marwick. Peats has a federal structure similar to Eversheds' but, he says, no one claims Peats is not a national firm.

Other lawyers support this view. They argue in favour of a relationship between the success of a particular office and the amount that partners in that office earn.

"It is easy to say that it will only work with full profit sharing. Achieving that is very difficult. Maybe they are going as fast as is consistent with the wishes of all the parties involved in pursuit of a long-term goal," says one Norton Rose/M5 partner.

But is there a case for a national law firm along the lines of the large UK accountancy practices? The accountants have partly answered the question hy showing an interest in moving into legal services. Garrett & Co, the law firm set up recently under the wing of Arthur Andersen, points to the future.

The arrangement gives Eversheds the presence it needed in the south east and in the City if it was to present itself as a national firm. Its London office – a merger between the London offices of two of its member firms, Phillips & Buck of Cardiff and Daynes Hill and Perks of Norwich, was not a success. Building up a credible City practice by itself would have taken too long.

Jaques & Lewis also adds an international dimension to the Eversheds practice. Not only does it have a Brussels office, something Eversheds lacked, but international work makes up about 33 per cent of Jaques & Lewis's business.

For Jaques & Lewis the association also makes sense. Over-capacity in the domestic legal services market means many medium-sized City law firms face an uncertain future. The recession has increased competition and pressure on fees. The market faces a period of restructuring.

Most medium-sized City firms know they need a long-term strategy to survive. Broadly, there are four options: merger with a similar firm to compete with the top 10 City law firms; merger or association with one of the hig US law firms; widening expertise and increasing the breadth of services by hiring specialist teams from other law firms; or, becoming the cornerstone of a national network. Jaques & Lewis has chosen the last route.

Mr Jeremy Raisman, Jaques & Lewis's senior partner, insists joining Eversheds is not a defensive move. The firm rode the recession, he maintains, hot joining Eversheds will giva the firm the resources it needs to invest for the future. "Our clients see the advantages of having these resources available. It adds a dimension to our practice," he says.

But what of the business case for trading under one name as a national law firm? Last spring the Norton Rose/M5 group surprised the legal services market by deciding not to merge its operations into a single national partnership.

A review by the group of its clients revealed "no business case" for merging its seven firms. Clients could see no advantage in it. What mattered to them was maintaining relationships built up with a firm or individuals within it. This response reinforced the view among some in commerce and industry that lawyers over-estimate the importance to clients of national networks.

Eversheds, however, says its clients favoured closer integration and a single national identity.

"Norton Rose/M5 never set about becoming a national law firm – they never tested it," says Mr Peter Cole, Eversheds' national managing partner. "They push the differences between them. We constantly look to bring together the knowledge and expertise of our lawyers."

It is this pooling of the knowledge and knowhow of 1,000 lawyers which clients find attractive, not the geographical spread of offices as such, says Mr Semmens.

Whether the firm can generate the work to justify its new status as the second largest law firm in the UK and the fifth largest in the world is uncertain. Much will depend on whether the legal services market is convinced that, without profit sharing, Eversheds really is a single 1,000-lawyer firm.

LEGAL BRIEFS

Appeals against B&C ruling due to begin

Appeals by Quadrex Hnldings and Samuel Montagu in their long-running litigation with British & Commonwealth Holdings, the collapsed financial services group, will begin in the Court of Appeal tomorrow.

The appeals, which are expected to last three months, arise out of the abortive £280m sale by B&C to Quadrex of the wholesale money broking division of Mercantile House Holdings in 1987. Samuel Montagu acted as Quadrex's merchant bank adviser on the deal.

At the trial B&C succeeded in its claim for breach of contract against Quadrex for failure to complete the deal, and against Samuel Montagu for negligent misstatement. B&C claimed it had relied on statements hy Samnel Montagu that Quadrex had funds to complete the deal and that those statements were made negligently. B&C was awarded a total of £188m.

Quadrex was also partially successful in its defence and counterclaim that B&C made misrepresentations to Quadrex during negotiations immediately prior to signing the deal. Quadrex was awarded £20m against B&C.

German merger

Tbe German law firms of Boden Oppenhoff Rasor Raue and Rädler Raupach Bezzenberger merged on January 1 to form the new partnership of Oppenhoff Rädler.

The new firm is the largest in Germany, with 220 lawyers and tax advisers. It has offices located in Berlin, Cologne, Frankfurt am Main, Leipzig and Munich.

The new firm will remain part of the Alliance of European Lawyers and the LLR European Tax network, giving it access to offices in Brussels, London, New York and Prague.

THE DAVID THOMAS PRIZE

Wired to the rest of the world

S.K. 'Juggy' Pandit, winner of the 1994 David Thomas Prize, explains how India is investing and excelling in high-technology skills

At BAeHAL Software's offices in Bangalore, in sonthern India, a computer programmer keys in a change to a programme he is writing for a UK clieot.

The computer he is using, via a satellite link, is at the clieot's site in Bristol.

Because it is morning in Bangalore but still night in England, there are few users and the computer responds faster to him than it would to a user on the clieot's site, during the working day there. By the time the client comes to work, the changes will have been completed and tested.

Mr S.K. Mitra, chief executive of BAeHAL, believes that the satellite link is an essential tool for building customer confidence in "offshore" software development. He says: "It's a hot line on which we are talking all the time. If the customer has any concerns, we say: 'Check it out – it's on your computer.' "

BAeHAL Software, a joint veoture between British Aerospace and Hindustan Aircraft Limited, the Indian aerospace equivalent, is ooe of a oumber of recently established offshore software development businesses in Bangalore.

In the three years since India started its ecooomic liberalisation, IBM, Motorola, Hewett-Packard, Texas Instruments and Digital Equipment have all started operations there, to take advantage of India's cheap but sophisticated technical skills.

Science and technology have a high status in India, whicb boasts of having the second largest Eoglisb-speaking scientific and technical manpower resources in the world. The founders of independent India saw self-sufficiency in key areas of technology as being an essential part of building a modern economy. Dependence on foreign know-how, though often necessary, was viewed as a relic of the colonial past, to be eliminated as soon as possible.

Higher education in science and technology was expanded enormously through the 1960s and 1970s, certainly well beyond the economy's ability to absorb the output of graduates and PhDs. As a result, India has become one of the world's main exporters of technical skills.

Estimates of tbe proportion of graduates from the prestigious Indian Institutes of Technology who emigrate soon after graduation range from 25 per cent to 50 per cent. In computer science, the figure is probably closer to 60 per cent. Observers bave noted that India may have repaid, through the export of skilled human capital, more than it has received in foreign aid.

The export of computer software development services is one way of retaining at least some of the economic benefit of its skilled manpower whicb India may otherwise have lost. It is a relatively recent phenomenon: in 1986-87 exports amounted to just $30m. Figures for the year to March 1994 show that these had grown to $330m, a compound growtb rate of 40 per cent a year.

Even at this level they represent a fractioo of 1 per cent of the combined US and European markets for computer software and services, so it is not surprising that they have achieved little visibility in tbe west so far. What is impressive, bowever, is how rapidly the industry has grown, to the point where a number of western software gurus are now taking it seriously.

Following a visit to India, Edward Yourdan*, a writer on the US software industry, wrote: "I returned home convinced that India has an opportunity to become a major force in the global software marketplace by the end of this century."

In many ways, India seems an unlikely candidate to be a major force in one of the world's most technically sophisticated and critical industries. For a start, it has one of the lowest concentrations of computers in the world, seven for every 10,000 people, against an estimated world average of 250; 1,070 in Singapore; and a US figure of 2,500. Even in basic telecommunications facilities, India has one of the poorest telephone networks, with only eight lines per 1,000 peopla; China, by comparison, has 17 per 1,000 people and Malaysia has 130.

Its own rate of expenditure on computer hardware and software, estimated at 0.4 per cent of gross domestic product, is tiny compared with an Organisation for Economic Co-operation and Development average of 3-5 per cent. The growth in exports appears to fly in the face of the conventional wisdom that a strong domestic market is essential in order to be able to compete internationally.

Alvin Toffler, in his book *The Third Wave*, envisaged new societies, in the developing world, that would combine primitive agricultural economies with certain high technology sectors, with policies to promote both. He labelled these "Gandhi with Satellites". His views on economic development challenged the notion that tbe developing world would follow the path trodden by the developed – from agriculture to manufacturing – while the developed world became a provider of services. Is the export of software development services from India evideoce of the emergence of Toffler's "Gandhi with Satellites" societies and, if so, what implications does this have for the developing world and the developed?

Bill Murpby was one of the UK's piooeers in promoting offshore software development and went on to form a company, Third Wave Network, to do just that. The name, incideotally, was inspired by Alvin Toffler's book. In 1980, Mr Murpby was managing a major IT project for Western Trust and Saving, a UK subsidiary of the Royal Bank of Canada. In a previous role be had used Singapore as a low-cost source of key-punching labour and was aware of American companies doing offshore programming in Ireland.

He says: "I realised that the only way I could keep the project within a very tight budget was to look at offshore programming." He came across Tata Consulting Services (TCS), part of India's Tata Group, which had established an office in London in the mid-1970s. The system they programmed, involving more than 250 man years of effort, was subsequently sold, under the Tamar name, to a number of UK financial service companies.

An estimated 25-50 per cent of graduates from the Indian Institutes of Technology emigrate soon after graduation

TCS is the largest and longest-established Indian software house and, with 4,000 professional staff, is of a similar size to the larger European software companies. It earns 80 per cent of its revenue from exports and is largely responsible for establishing offshore software development in India. Its example has been followed by other indigenous ventures. One of these, Infosys Technologies, based in Electronic City on the southern fringes of Bangalore, was started in 1981 and has been one of the best performing shares on the Bombay Stock Exchange.

Explaining tbe success of the business, Nandan Nilekani, deputy managing director, says: "People come to India to get good quality software development at an acceptable cost."

Although Indian salaries are a fifth or less of western ooes, this overstates the cost advantage. Mr Nilekani explained: "Salaries are lower but hardware costs are the same and infrastructure costs are much higher. In the west, the infrastructure is a given, but here you have to put everything (power, utilities, communications) in."

In fact, the general consensus is that Indian software development costs about half of what it would in the west. Mr Nilekani believes that Indian firms have also gained from the upheaval in the computer industry in the last decade, when the dominance of proprietary technologies, owned by a few western companies, was overthrown by the advent of the PC.

For much of the 1980s, Indian exports were based largely on "body-shopping" – sending software engineers or programmers abroad to work on a client's site under his supervision. Although body-shopping still accounts for a significant, if falling, proportion of exports, it has become a pejorative term in Indian software circles.

By the late 1980s, the practice had begun to arouse hostility in the US, the main export market, and US visa restrictions were tightened last year to make it more difficult. However, an offsetting development over the past two years has been the liberalisation, by the Indian government, of the policy on allowing dedicated satellite links. There are now more than 100 such links in use in India, half of which are used by software firms.

Companies such as Infosys now offer their clients offshore development centres, based in India. The idea is to provide an overseas customer with a dedicated software team which, via a satellite link, can serve as an extension of his own operations, using his compnter installation, without having to set up a business in India.

A host of US companies has taken this route, although European customers are still rare. Mr Nilekani believes that the use of offshore development centres bas cut the amount of work that needs to be done abroad to about 20 per cent, with obvious cost savings, as well as making possible the provision of additional services. For example, the most recent arrival in Bangalore is a company called NetQuest, founded by a former Microsoft software engineer. NetQuest intends to offer a helpline and trouble-shooting service to US computer programmers, priced at $30 to $60 per question. It intends to market its services through the CompuServe computer network.

While acknowledging their cost advantage over tbe west, Indian software bouses are keen to stress that they are competitive on efficiency and quality as well. As an example, Mr P.V.N. Rao of TCS cites the facility which his company has established near Bombay'a Santa Cruz airport to do all of SwissAir's revenue accounting.

The claims of quality for the better-known companies are borne out by western clients and independent standards bodies

He says: "The operation processes 1m flight coupons a month. SwissAir used to do this in Zurich with about 200 people. The Bombay operation started a year ago and we do the same work with 100 people. We did this through better business practices and better systems."

The claims of quality, at least for the better-known companies, are borne out both by western customers and by independent standards bodies. The Software Engineering Institute, an organisation funded by the US military, has rated more than 200 US-owned software teams for technical and management excellence: 75 per cent were rated at level one, the most basic level and only two teams were at level five, the top level. One was a US team working on the on-board Space Sbuttle software; the other was Motorola's Indian software team in Bangalore.

Tbe achievements of the best Indian software operations in exporting their skills are, however, in stark contrast to the poverty of India's own IT infrastructure and point to wider failures in national policy. Computing is, after all, an enabling technology and, in a completely rational world, it would be applied in the first place to improving the efficiency of the domestic economy.

Singapore, blessed with much the same technical skills as India, has directed these primarily at improving the competitiveness of other industries and services, rather than treating them as export earners in their own right. Most private sector Indian software firms earn 80 to 90 per cent of their revenues from exports.

The application of computing within India, particularly in tbe huge public sector, remains rudimentary. The World Bank, in a recent report on the application of IT in India, estimated that cheque clearing through the banking system took six weeks, instead of six days; that about 10 per cent of the value of traded commodities was spent on paperwork at ports; that 118 pieces of paper were needed to get a consignment to its destination; and that 258 signatures were required for export clearance.

Modest progress has been made in some areas. Automation of the railway's reservatioo system, which handles more than 11m passengers a day, has reduced waiting times from 80 minutes to five. In the wake of last year's securities scandal in Bombay, a computerised trading and settlement system is being built (by TCS). The public sector banking system is at last introducing some automation, no doubt sensing the threat from newly allowed private sector banks – but with only 300 branches automated, out of 70,000, it has some way to go.

Apart from entrenched opposition within organisations, the government'a own procurement policies have not helped. For a long time, the state-owned software house, CMC, had a monopoly of supply to the public sector. This was recently abolished, but the government then created a new organisation, the National Informatics Centre (NIC), to advise it on procurement. The NIC has itself become a supplier of computer systems, thus creating a new *de facto* monopoly.

There is hope that liberalisation will change things and certainly private sector companies in newly liberalised areas, such as banking, are important customers of the software industry. Mr Nilekani of Infosys says: "We are seeing a perceptible change. There are new large projects as sophisticated as anything in the west."

However, the critical areas for reform, the central and state government bureaucracies and public sector organisations, remain untouched. For the foreseeable future, the export software businesses are likely to remain isolated islands of excellence.

Toffler'a phrase, "Gandhi with Satellites", with its suggestion of efficient first-world activities being undertakan within a third-world society, does capture some of the contradictions of the offshore software development business. However, Toffler assumed there would be deliberate policies to promote both high technology sectors and a primitive, rural economy, in such societies. While such policies have played a role in the development of India's software industry, its evolution can also be seen as an adjustment to the failure of policies over the last 40 years.

Conventional thinking on the evolution of world trade and competitiveness envisages a continuum of economic activity through which economies evolve, ranging from basic agriculture at one end to highly skilled services at the other.

The reality is more complex. India is well placed to be an exporter of certain highly skilled services. But this is partly because, for a variety of reasons, tha relevant skills are not being applied to adding value to the economy at large, but are being exported "raw".

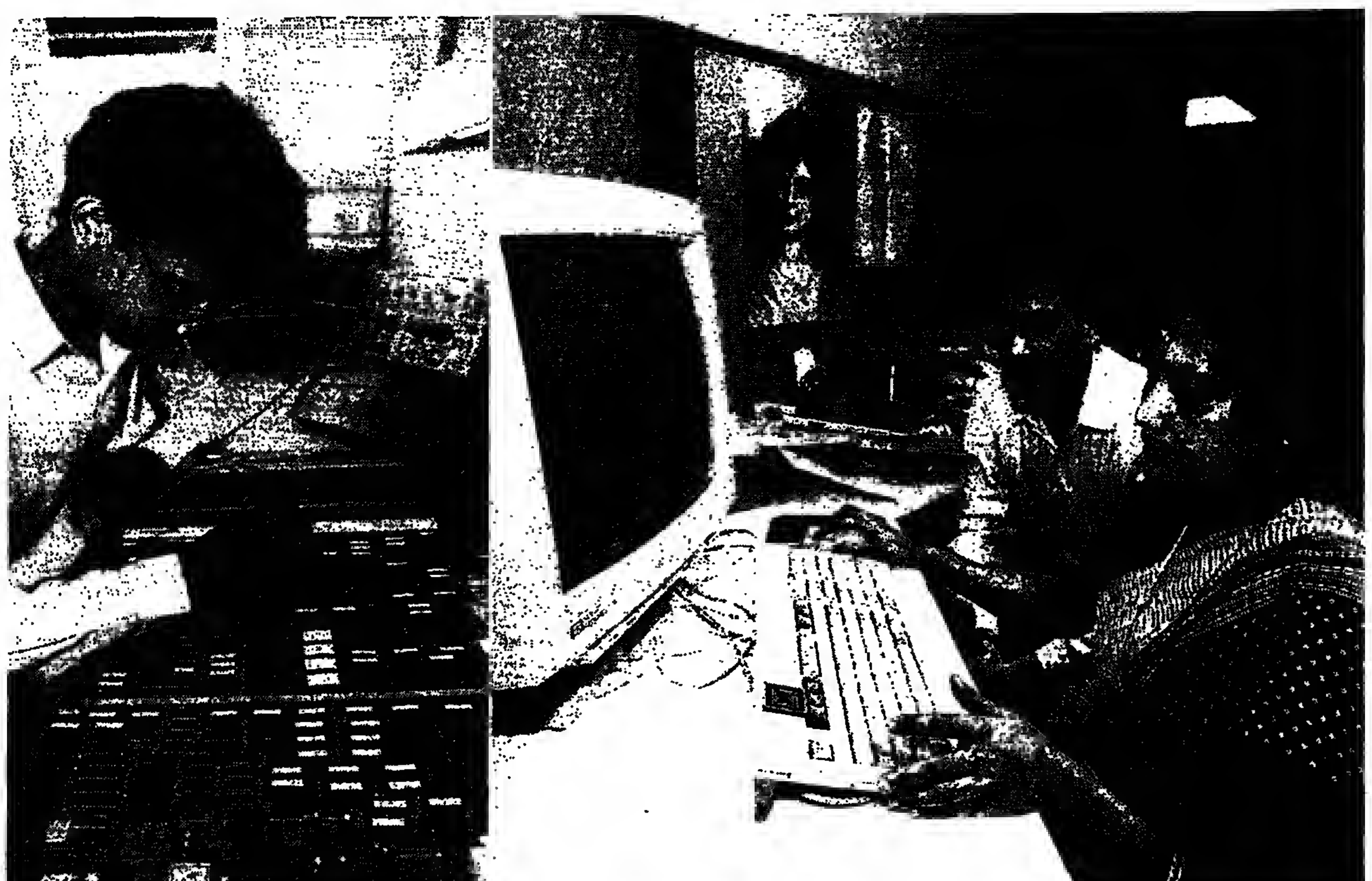
Interestingly, aside from traditional areas such as textiles, leather goods and certain chemicals, India shows little sign of becoming a significant exporter of manufactured goods to the west. Indeed, one consequence of liberalisation has been that many Indian computer hardware manufacturers have stopped production, unable to compete against imports, and turned to selling services.

Is it possible that the more gloomy predictions about the west's ability to remain competitive in manufacturing are based on a questionable extrapolation from the example of a small number of east Asian economies? If so, the developed world may well be overestimating the threat to manufacturing from the developing world, while underestimating its ability to supply highly skilled services.

The David Thomas Prize was set up in memory of David Thomas, a Financial Times journalist killed on assignment in Kuwait in 1991. The theme for the 1994 prize was: "Can the developing world become richer without the developed world becoming unemployed?"

Mr Pandit is a general manager for Thorn EMI.

**Decline & Fall of the American Programmer, PTR Prentice Hall, 1993.*



Economic liberalisation has attracted several of the higger International compnter companies into India to take advantage of its cbeap bot sophisticated technical skills

ARTS

The 6th century Corpus Christi Gospels, left, a gift from Pope Gregory the Great to St Augustine; and Vanessa Bell's portrait of Maynard Keynes and his ballerina wife, Lydia Lopokova

Great treasures from the groves of academe

Cambridge University is showing off its heritage for a good cause, writes **William Packer**

With galleries empty and no sales in immediate prospect, this is the season in the salerooms for exhibitions in a good cause. At Christie's the current beneficiary is the Campaign for Cambridge, the purpose of which is to raise £250m by the year 2000, in order to maintain the university's pre-eminent position in the world.

In an age when the heresy of cost-effectiveness in the short term seems to possess our political paymasters, it is indeed no bad thing to point up the diversity of the scholarly, scientific and creative achievement of the past. This exhibition holds manifest treasures drawn from the collections both of the university and of its constituent colleges, but it is not really an exhibition of works of art as such. Rather it is a concise and elegant polemical demonstration of what a university may become in time, by the slow, insensible round of particular activity and experience. In short it shows us what a true university is and does.

It is set out in a sequence of cabinet displays, each to its own hero or subject. And in celebrating the past, present engagement is tacitly admitted. Here is Rutherford before the war, splitting the atom in the apparent chaos of his laboratory; and here J.J. Thomson with his cathode-ray tube. From the 1950s, there is Crick and Watson's model of the molecular structure of DNA, and from the early 19th century, a fragment of Babbage's "difference engine" by which he anticipated the computer. Here is Darwin, off to the South Seas in *The Beagle* in defiance of his father's fears and admonitions – that it would he uncomfortable, unsafe, e waste of time.

But Cambridge science goes somewhat farther back, back indeed to Harvey and his discovery of the circulation of the blood, and to Isaac Newton, the greatest scientist-hero of them all, whose spirit presides over this whole affair. Here is his signature as he casts his vote for James Dupont as Vice-Chancellor in 1669: here he is depicted in later allegorical glory by Pittoni. He held the Lucasian Chair in Mathematics, now occupied by Stephen Hawking.

And it is not all science – well, not quite: for now we come to the Cambridge philosophers, Russell, Moore and Wittgenstein, and to John Maynard Keynes, personification of that even more inexact of sciences, modern economic theory. With him, and Russell too, comes an authentic whiff of Bloomsbury, and Keynes himself is represented by two archetypal Bloomsburian images, the one a fairly conventional portrait by Duncan Grant, the other a more decorative confection by Vanessa Bell, as he peers round the curtain at his curtsying wife, the Russian dancer, Lydia Lopokova.

The best of the modern paintings is the portrait by Henry Lamb of Joan Strachey, of Newnham. He also drew the archaeologist, Dorothy Garrod, who in 1937 was the first woman to be offered a chair at Cambridge. The pity is that so little is shown of Cambridge's continuing engagement with contemporary art – Jesus has lately been notable in this respect. Even Kettle's Yard, which comes under the university's wing, is represented only by Jim Ede's personal collections of furniture and china, and a few tiny works by Nicholson, Miró and Alfred Wallis. Its programme of exhibitions deserves a mention.

As it is, the Fitzwilliam Museum carries the flag for high art handsomely enough, with a room full of ancient Korean ceramics, university silver and old-master paintings. These last include Van Huysum's months of the year, seldom shown together, and, of recent acquisitions, a fine Hobbema and a splendid Honthorst full-length of Lord Craven.

But at any university, books must come before all else. So history is represented by Macaulay, the study of the classics by Bentley, and literature by Tennyson, whose portrait and bust are shown as well as notebook drafts of *In Memoriam* and *The Lady of Shalott*. Milton crops up *passim*, and space is given to the manuscripts of more recent luminaries, such as Ted Hughes and Sylvia Plath.

Literature in its wider sense and earlier manifestations, however, is here the more important, with Cambridge at the very heart of the humanist and religious controversies of the Reformation – More, Cranmer and Erasmus. Cranmer in particular, through his *Book of Common Prayer* and his championing of Tyndal's vernacular Bible, has perhaps had more influence upon our historic cultural life than any other Cambridge hero.

Of tha many true treaures here, the greatest are among the books. Baskerville's Bible of 1763 is shown, set for the university in his own type and one of the finest editions ever printed. But that pales beside Charlemagne's personal copy of Bede, dating from the 8th century, written in so plain and vigorous a hand; and that again must pale beside the exquisite 6th century gospels from Corpus Christi, so delicately illuminated and so seldom seen. Such things alone are worth the visit.

University of Cambridge: *Foundations for the Future*; Christie's, King Street, SW1, until January 25.

Ballet/Clement Crisp

Too much fluster ruffles feathers

When the curtain goes up on a ballet, the audience absorbs a lot of information very quickly. What we see, before any step has been taken, is the world in which our imaginations are to travel. Understanding of what follows is subtly and powerfully conditioned by this first impression.

Curtain rise on the Royal Ballet's *Swan Lake* is all too revelatory of e fundamental flaw in the staging. Wa see fuss. Lamps and wires and golden gates and a milling mob of over-dressed and imprecisely identified people, ancient retainers, arquebuses. Fluster. And fluster is what ensues, with hollow characterisations and uniforms and children and tippling cadets and wandering supernumeraries, e maypole, stools, idiot-hatted peasantry.

The inspiration behind it all is not *Swan Lake* – a lyric tragedy of masterly simplicity – but the relentlessly anecdotal Victorianism of Frith's *Derby Day*, in a staging needlessly transposed to a late-Tsarist Neverland. Everyone is very busy indeed, building character, gesticulating (those meaningless sweeps of the hand; the moues of social comment from two "chaperones"; the *Mayerling* agitation when Siegfried is told he must marry), making it all so damned *real* that I long to remind the cast of that old theatrical dictum "Don't just do something. Stand there!"

It is the absence of formal clarity in this *Swan Lake* that seems to me reprehensible. The more so in that the text is excellent, and as near the original Petershurg staging as we need to see. It is sabotaged, except in the grandly direct last act, by absence of faith in the dance itself. Increasingly, the Royal Ballet offers "production" as a substitute for dancing and the demands of the ecademic manner. The new *Beouty* cheats Petipa at every turn. *Giselle* is more about logging than Romanticism. *Don Quixote* was flattened beneath design and an incomprehension of its style.

With simple, evocative sets, the Kirov's classics and most of the Bolshoi's 19th-century stagings ellow the choreography to speak, and show the true significance of the works involved – which is their power in dance terms, their need for great interpretative art. The Royal Ballet – whose versions were once admirably restrained in appearance and no less admirably rich in performance – needs to remove the vivacities, the over-painting, the elaborate gesso frames, and let the text inspire its casts rather than crowd them.

The return of *Swan Lake* to the rapertory on Thursday night brought Darcey Bussell as Odette/Odile. Here was a beautiful young woman witb a heautifully secure technique, behaving with admirahle restraint under pretty vexing circumstances. Her Odette was gentle, somehow withdrawn. Her Odile was physically luscious, and ahout as threatening as a kitten. I do not think *Swan Lake* is about a *jeune fille en fleur*. Zoltan Solymosi was her Siegfried, fine as a partner, his every action a declaration about how glad he was to be on stage for us and bow glad he knew we were to see him there.

Company dancing was very good, and I salute the first act pas de trois of Sara Gallie with her pretty feet, Deborah Bull, and the soaring Errol Pickford. If the costuming of the national divertissements in Act 3 were thinned out, the performers would look more like dancers and less like frenetic lampshades.

Swan Lake is in repertory at Covent Garden on January 16 and 19.

Obituary

Peter Cook

The comedian Peter Cook died in hospital in London yesterday from a gastro-intestinal haemorrhage. He was 57.

At the time of his death his greatest achievements were well behind him hut his contrihution to British culture in the second half of the 20th century was immense: he was largely responsible for the satire boom of the 1960s and 1970s, which has influenced every successive generation of young comedians, and he was the largest sharebolder in the irreverent magazine *Private Eye*, which has been the sconrge of the Estahlishment.

Peter Cook's comic talents brought him fame in his student days at Cambridge in the late 1950s, and in 1960 he joined fellow Cambridge man, Jonethan Miller, and two Oxford wits, Dudley Moore and Alan Bennett, to create the revue, *Beyond the Fringe*, which, in turn, took the Edinhurgh Festival, the West End, and New York hy storm.

Beyond the Fringe was both original and funny. For the first time on the stage politicians, churchmen, and the armed forces were puhlicly guyed, and Cook scored a great personal success, especially in his spoof of prime minister Harold MacMillan. Since *Beyond the Fringe* every British institution has heen open to subversive attack.

All four memhers of the team went on to great success, and Peter Cook quickly made his mark by helping to finance the satirical night club, The Establishment (which re-created the career of Frankie Howerd), and *Private Eye*. But in recent decades Peter Cook's talent has been unpredictable and wayward. He hecame a very heavy drinker, and in intermittent television appearances seldom managed to project the wit and knowledge he was capable of in his private life.

In 1965 be formed a partnersbip with Dudley Moore, which created the successful *Not only ... But Also* television series, hest rememhered for the musings of those bar room philosophers Pete and Dud, whose ruminations, sometimes improvised, could hit the heigbts of surreal humour. In the 1970s the pair resurfaced as Derek and Clive in albums which were most noteworthy for their foul language.

At the time of bis deatb Peter Cook was reshapiog a new career as an actor and had released a golf instruction video, "Peter Cook Talks Golf Balls"; this title sums up the pnerile side of his humonr which suhverted his puhlic reputation. In contrast to bis weakness for all things bawdy, be lived in a fine Hampstead house – once the home of H.G. Wells – and thoronghly enjoyed spending the money he had accumulated.

Cook showed little jealousy of the fame of his fellow Fringers – Moore, the Hollywood actor; Bennett, the revered playwright; Miller, the director and pundit. He was once asked whether he wished his career hed progressed more satisfectorily: "I suppose I might have some regrets ... hnt I can't remember what they are".

Peter Cook married three times, and had two dsughters from his first marriage.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERTS

Het Concertgebouw Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19

● Netherlands Philharmonic Orchestra: Hartmut Haenchen conducts Smetana, Janáček and Dvořák at 8.15 pm; Jan 10, 11

● Royal Concertgebouw Orchestra: with soprano Inga Nielsen, and mezzo-soprano Elisabeth Laurence. Charles Dutoit conducts Lutoslawski, Debussy, Stravinsky and Bartók at 8.15 pm;Jan 12,13,14

GALLERIES

Van Gogh Museum Tel: (020) 570 5200

● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs; to Jan 14

OPERA/BALLET

Het Muziektheater Tel:(020) 551 8922

● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm) , 17, 19

■ BERLIN

OPERA/BALLET

Deutsche Oper Tel:(030) 341 9249

● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm), 17, 19

● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich at 6 pm; Jan 15

● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18

● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)

■ BRUSSELS

CONCERTS

Philharmonique de Bruxelles Tel: (02) 507 84 34

● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11

● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12

■ LONDON

CONCERTS

Barbican Tel: (071) 638 8891

● Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 18

● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12

Queen Elizabeth Hall Tel: (071) 928 8800

● Cantabile: four man vocal harmony group consisting of counter-tenor Morgan Crowley, tenors Paul Hull and Mark Fleming and baritone Michael Steffan performs songa of love and war at 7.45 pm; Jan 17

● Messiah: by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15

● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

● The London Philharmonic: conducted by Elgar Howarth plays Gabrieli, Stravinsky, Birtwistla and Byrd/Howarth at 7.45 pm; Jan 18

GALLERIES

National Gallery Tel: (071) 839 3321

● Tha Young Michelangelo: small exhibition of the artist'a early work. Part of the 'Making and Meaning' series; to Jan 15

Victoria and Albert Tel: (071) 938 8500

● Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; from Jan 11 to Mar 19

OPERA/BALLET

English National Opera Tel: (071) 632 8300

● Figaro'a Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14, 18

Royal Opera House Tel: (071) 340 4000

● Cinderella: music by Prokofiev. Created hy Fradrick Ashton in 1948, thia was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14

● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 18

● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles et 7.30 pm; Jan 13, 17

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 18, 19

THEATRE

National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by tha Russian absurdist writer at 7.30 pm; Jan 17, 18 (2.15 pm) , 19

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 10 (2.15 pm) , 11

■ NEW YORK

CONCERTS

Alice Tully Hall Tel: (212) 875 5050

● Garrick Ohlsson: pianist, begins a aix recital saries covering tha completa solo piano music of Chopin et 3 pm; Jan 15

GALLERIES

Museum of Modern Art Tel: (212) 708 9480

● Cy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10

OPERA/BALLET

Lincoln Center Tel: (212) 721 6500

● Heather Watts Final Performance: New York City Ballet principla dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Trista' at 7 pm; Jan 15

Metropolitan Tel: (212) 382 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 11, 14 (1.30 pm) , 18

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 14, 17

● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnella, conducted by James Levine at a pm; Jan 12, 16

● Madama Butterfly: by Puccini at 8 pm; Jan 10, 13

● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts tha opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19

THEATRE

Vivian Beaumont Tel: (212) 239 6200

● Carousel: revival of the 1945 Rodgers and Hammerstien musical at 8 pm; to Jan 15 (Not Mon)

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24

● Choir and Orchestra of the Kirov Opera: with soprano Valentina Tsidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian and conductor Valery Gergiav pleys Verdi's 'Requiem' at 8.30 pm; Jan 10

● Nathalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17

● Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Bartók and Tchaikovsky at 8.30 pm; Jan 16

GALLERIES

Institut du Monde Araba Tel: (1) 40 51 38 38

● Dalacroix in Morocco: Delacroix'a visit in 1832, when he was 34, made e lasting impression on his art; to Jan 15 (Not Mon)

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 487 4600

● National Symphony Orchestra: with soprano Elizabeth Futral and mezzo-soprano Claudine Carlson. Leonard Slatkin conducts Ravel and Mahler et 8.30 pm; Jan 12, 13, 14, 17 (7 pm)

● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11

OPERA/BALLET

Washington Opera Tal: (202) 418 7800

● Semela: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 13, 18 (7 pm)

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 19

● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm), 18

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Still a figure of respect

Gillian Tett on the controversy over UK official statistics

Prodcom may sound like the name of a bureaucratic organisation in the former Soviet Union. But the title is just part of the latest bout of free market reform in the Central Statistical Office, the main data-gathering body for the UK government.

In the months ahead, the CSO will be engaging in its first private sector joint venture to market a new series of statistics, known as "Prodcom", or Products of the European Community. These will offer new data such as import penetration figures, which will be sold at commercial rates to businesses and other users.

The initiative is part of a broader programme of market reforms at the CSO to improve the quality of government statistics and raise revenue from new sources to supplement government funding.

However, there is growing controversy over how far Whitehall should fund – or even control – the country's statistics. And privatisation initiatives such as Prodcom, which raise the cost of CSO publications, are stirring up concern about public access to statistics.

The new approach to data collection and marketing stems from management reforms in the CSO, which became an independent executive agency in 1991. Its current chief executive, Mr Bill McLennan, is an outspoken Australian head-hunted from the Australian Bureau of Statistics.

In the 1980s, the CSO had been through a period of staffing cuts when the range of statistics was reduced to lessen the burden of red tape for businesses. When Mr McLennan arrived, there was a growing belief that some of the government's economic mistakes – including the failure to forecast the overheating in the late 1980s and the subsequent recession – might have stemmed from poor official data.

There were also criticisms of the integrity of government statistics, with widespread leaks of data before publication and occasional suspicions of political interference.

Since Mr McLennan's appointment in 1992, the organisation has distanced itself from the government and politics. Ministerial access to data before publication has been sharply reduced. And Mr McLennan has stressed that the CSO is no longer simply serving the government, but seeking to provide statistics to business and individual users.

These changes have boosted the CSO's standing in the City. "It is much more open than it used to be," says Mr Adam Cole, UK economist at brokers James Capel. "The changes inspire confidence."

But, says Mr Cole, it is not clear how much accuracy has improved. The gross domestic product data remains prone to revision and the organisation's coverage of the service sector and financial flows is often weak. The accuracy of trade data is also uncertain, following introduction of a new European Union data collection system last year.

But Mr McLennan's changes have given a new credibility to the figures, speeded up their publication and improved their presentation. "I am very much into all this public relations and communications rubbish," he says. "There's not much point having the best numbers in the world if the only person who looks at them is yourself."

The improvements in the quality of the CSO's statistics have been accompanied by measures to privatise parts of its work. So far, the only statistical process to be fully contracted out to the private sector is the collection of data for the retail prices index. There are no plans yet to privatise the processing of data. But the next data collection exercise to be put out to tender will include part of the CSO's mandatory business surveys.

Contracting out this business data could prove more controversial than the collection of prices for the RPI. Research for the CSO last year revealed that a large proportion of businesses would not release confidential information to a private sector group. Some CSO civil servants have seized on the survey as a rallying point to oppose quietly the privatisation trend.

Others, such as Mr Ian Maclean, chairman of the UK Statistics Users Council, a watchdog group, fear that privatising data collection could erode the quality of official statistics, which depends on consistency of collection.

Another controversial aspect of the management changes is a new approach to marketing – and selling – data. The CSO currently relies on public funding of about £43m, about 95 per cent of its revenue. In Denmark, by contrast, almost a third of the revenue of the government statistical office is commercially generated.

Prodcom is an attempt to meet the data needs of business at a price it can afford to pay. But Mr Maclean says he is alarmed by the way in which the venture has led to higher priced data. "In countries like the US, government data are seen to be a public good, but the UK seems to be going in the opposite direction."

Some believe there is scope for more privatisation. "If the whole thing was contracted out, the CSO would pretty soon learn what kind of statistics were actually wanted," says Mr Doug McWilliams, director of the Centre for Economic and Business Research, a consultancy.

Mr McLennan insists that there is nothing wrong with the organisation seeking to maintain both a governmental and commercial role. Although the CSO is increasingly seeking to make a profit from selling its statistics, it is also trying to increase free public access to statistics by expanding the quantity of data in libraries, he points out.

The ambiguity in the role of the CSO, however, may be harder to disguise this year, as the Treasury conducts a review of the organisation – including looking at radical options such as privatisation. At the same time the CSO is also seeking a new director to replace Mr McLennnan, who leaves in the spring at the end of his three-year contract.

The most likely outcome of the Treasury review will be a continuation of the CSO as an executive agency, although perhaps under a new framework document that will permit more commercialisation.

Further privatisation will be hard to avoid given the freezing of Whitehall running costs. And if it generates more funds for the CSO, and gives a sharper edge to coverage of areas like the service sector, it could add to the improvement in the quality of statistics.

But the new credibility Mr McLennan has won for the organisation could be dented if these reforms provoke outrage about the pricing policy of its publications, or concern at data quality. And since the figures are so fundamental to the government's economic policy-making process, the CSO is an area of Whitehall with which the government can ill afford to gamble.

Joe Rogaly

Dim light on a new dawn

We constitutional reformers, we would-be firebrands of the great British revolution of 1997-2002, must pause. We face a small problem. How are we to get from here to there? It is pleasant to dream of the tumbrils setting off in 1998, carrying hereditary peers away from their right to vote in the Lords. We may fantasise after every lunch about the future Scottish parliament, sip evening drinks as we ponder the fine print of Britain's new bill of rights, and smile, smoke curling from our fat Havanas, as we picture the revitalisation of local government. What ecstasy it will be in that new dawn to be alive!

Snap. Wake up. None of this will come to pass if the Conservatives win a fifth term of office. Please do not laugh. This is serious. They might. As Mr John Major intimated at the weekend, 24 to 30 months is a long time in politics. Technically, he need not call an election before the beginning of June 1997, although he would be hanging on by his fingernails if he waited until then. If his own backbenchers give him their support, he can prolong the big game. The country is quite evidently disenchanted with the government, but the Labour party cannot yet be sure of the affections, or, more important, the trust, of the voters.

I am not about to make the mistake, perpetrated by so many of us more than once over the past few years, of forecasting that the prime minister's fortunes have taken a turn for the better. Never again. It is, however, prudent to venture a different assumption – that Mr Tony Blair's skip across the light blue waters of mild conservatism might end in a dunking.

Why should it? It need not, but it could. The leader of the Labour party is still doing well. He is in the first flush of his new job. Surely this cannot last. Sooner or later he will have to engage his party in debates about policy, and win. Several such rough-and-tumbles may reasonably be expected this year. Not the least of these concerns his package of constitutional reforms. Mr Blair has described this as one of the defining issues of the next election. So it should be. It is certainly the only item that truly distinguishes the opposition from the governing party. Yet we reformers must not make the strategic error of assuming that just because the need for change is obvious to us it is accepted by everyone else. A case must be made.

> **Reformers must not make the error of assuming that because the need for change is obvious to us it is accepted by everyone else**

The first priority is to establish that, contrary to the assertions of both Mr Michael Portillo and Mr Major himself, the present arrangements do not work. A useful handbook for those who must undertake such an exercise was published last week. The Times Guide to the New British State*, compiled in a country in which "the names, addresses and telephone numbers of the various organisations . . . that exercise power over us are often not made available", tries to map out the laocoon monster that passes for our constitution. It confirms all your worst suspicions about the network of departmental agencies, quangos, non-departmental public bodies, castrated local authorities and Whitehall cartels. The executive has run amok. It must be curbed.

Nor is this proposition of interest to intellectuals alone. Voters who fall asleep at the mention of the word "constitution" know that nobody seems to be in charge of our prisons, that overpaid flunkeys run our hospitals, and that too many senior Tories have been caught in one act of moral turpitude or another. As to devolution, the simple question "why is it right for Northern Ireland to have its own elected assembly and not Scotland?" is easily understood.

The second half of Mr Blair's task is to establish the depth of his own commitment to genuine reform. Yes, yes, we know he has promised a Scottish parliament in the first year, but that was an inherited pledge. How deep is his passion for overall reform? The Labour party will flirt with the Liberal Democrats and others if it depends on their support in a hung parliament. If it is the beneficiary of a Canadian-style anti-Conservative landslide it may become an executive run riot. This uncharitable thought has inadvertently been revived by a pamphlet, as yet unpublished, by Mr Graham Allen. Mr Allen, a Labour MP, was a thinker on democratic and constitutional affairs in the team led by Mr Blair when he was shadow home secretary under the late Mr John Smith.

"The pluralists in the Labour party are relatively few in number and have lost their champion," writes Mr Allen, clearly alluding to Mr Smith. "In the run-up to the next general election, the outcome of the battle between pluralism and centralism within the Labour party and then within British politics will reach its critical stage." By pluralist democracy, Mr Allen means sovereign competing institutions checking the executive. Most of what he argues for is Labour policy, but to a reader between the lines the author is uncertain about the intentions of his present leader, not to mention Mr Jack Straw, Mr Blair's successor as shadow home secretary. He wants further irrevocable commitments, as many as possible, now.

More than that is required if Mr Blair is to succeed in selling new Labour, new constitutional reforms, renewal, new this new that and new the other. It is not enough to say that safeguards are needed because the executive is too strong. The positive benefits of plural democracy must be demonstrated, and explained to the interested parts of the electorate. Is it really sensible to deprive hereditary peers of the vote if the immediate consequence is the use of new patronage to create hundreds of new Labour new peers?

That is a peripheral question, one of many, but there is a greater, 21st-century, conundrum. Is a complex administrative structure apposite when the functions of government are or should be withering away? The monitoring and regulation of privately or independently managed activities may not be most efficaciously undertaken by two central and a dozen regional legislatures, along with scores of local councils and hundreds of parish committees. It is the kind of question that in the old days would have been suffocated by the hundred pillows of a royal commission of inquiry. Mr Blair and Mr Straw have yet to show that they comprehend the problem.

*By Michael Dynes & David Walker. Times Books. 360 pages. £16.99

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Employer liability over stress

From Dr C C Horling.

Sir, Richard Wolffe rightly emphasises in his article, "Stress case sends a shock through employers system" (December 30), the increase in, and increasing cost of, stress-related personal injury claims being brought in the UK. The case referred to in the article (Walker-v-Northumberland County Council) also emphasises a more general point concerning employers' liability for injury to their employees.

Published reports of the Walker case indicate that the employer was found to have breached its duty of care for Mr Walker when he returned to work after his first period of absence. The employer allowed him to return to his old duties without considering whether he was more vulnerable to injury (that is stress-induced mental illness) as a consequence of the illness which had caused the absence. The employer had been put on notice of this potential vulnerability by the duration of absence and the serious nature of the condition recorded on the sick note.

Although it was the subsequent overwork that caused the injury, liability attached to the employer when he returned to work without provision being made for rehabilitation or reduced workload

This case, although more complex than the point made here, emphasises employers should take care when accepting staff back to work after prolonged sickness absence.

Taking, and acting on, specialist occupational medicine advice at the point of the return to work would avoid unnecessary injury and thus, subsequent liability.

C C Harling,
8 Burlington Road,
Bristol BS6 6TL

Door is open to UK banks' payment clearing system

From R I L Allen.

Sir, I was concerned to see on your front page ("Labour pledges shake-up of high street banks", January 9) the observation: "UK banks have historically resisted efforts to open up the clearing system to foreign banks and building societies . . ." This is not the case. Indeed, far from there being resistance, the door has been wide open for nearly 10 years.

The Association for Payment Clearing Services was set up principally to oversee the open development of the major payment clearings in the UK. Since December 1985, any bank or building society which meets our published objective entry criteria can take up full settlement membership of Apacs. These criteria meet fully the requirements of both the European Commission and the European Monetary Institute.

Together with the big high street banks and building societies, Apacs' members include Citibank NA, Crédit Lyonnais and Deutsche Bank.

Several hundred other banks and building societies have chosen to provide customers with high quality money transmission facilities by means of indirect access to our clearings. Thus we have a situation where, in the UK, open access and freedom of competition in payment clearings are the envy of many other countries around the world.

R I L Allen,
chief executive,
Association for Payment Clearing Services,
Mercury House,
Triton Court,
14 Finsbury Square,
London EC2A 1BR

Subsidy, not just fraud, root of problem

From Mr G J D Lemos.

Sir, Your article on the apparent Greek cotton fraud ("EU threatens Greece with huge fraud fine", January 7) could helpfully have reported the wider background; for it becomes plain that the European Commission is straining at the gnat of fraud having swallowed the camel of a grotesquely extravagant and wasteful subsidy.

At the time (and it is not so different today) about five-sixths of the price received by the cotton farmer was subsidy. The incentive for fraud is obvious: if a distant bureaucracy is ready to pay six times the market price for a commodity, can you expect it to worry about the amounts it buys?

The scale of fraud is small by comparison with the waste of resources inherent in, and consequent on, the subsidy. This waste is much bigger than may appear at first sight, for at the market price cotton cultivation in Greece would scarcely be viable.

The subsidised price has led to the over-cultivation of cotton, virtually to a monoculture in some areas. Fraud or no fraud, the subsidy has stimulated its own inflation. But there is worse.

Cotton needs a lot of water; the intensity of cultivation has led to a severe depletion of underground aquifers. To meet the threatened water shortage in Thessaly, one of the principal cotton growing regions, the Greek government proposes to divert the waters of the Athelous river. Environmentalists generally regard this scheme as disastrous and recently succeeded before the constitutional court in holding it up. But, if it went ahead, it would be financed, at least in part, by EU funds.

Thus, more EU resources would be expended on a scheme whose positive justification is the maintenance of agricultural production itself dependent on EU subsidy.

The level of subsidy is thus the root of much mischief, not merely fraud. The subsidy must be reduced. It is fatuous just to ensure that money is scrupulously wasted.

G J D Lemos,
Freud Lemos,
36 Great James Street,
London WC1N 3HB

Right to decide

From Mr J J Bossano.

Sir, In your editorial, "Russia's blind alley" (January 6), you argue that the people of Chechnya have a right to self-determination even when this involves changing an existing international boundary.

Surely, in the case of the people of Gibraltar where the international boundary was changed in 1704, there can be no question whatsoever of their right to self determination being denied.

J J Bossano,
chief minister of Gibraltar,
6 Convent Place,
Gibraltar

Mexico: hard to explain

From V Crozier.

Sir, All complex analysis of economic data aside, there is clearly something wrong when middle-class Mexicans sit down to breakfast cereal made in the US. Similarly, it is hard to explain to a secretary that salary increases must be limited to 7 per cent ("Mexican nerves on edge over wage pact tightrope", January 5) when her mortgage now costs her a shade above 45 per cent per annum. Those persons who tightened their belts in 1982 and have had little opportunity to release them are being called upon again.

There has been much written about international investors jumping ship; historical precedence is that the wealthy and politically connected Mexicans reach the gunwales ahead of the rest.

V Crozier,
rue Spontini,
Paris, 75116.
France

Picture aroused sympathy

From I H Khan.

Sir, I refer to the letter from Mr Patrick Heren (January 6). The printing of photographs in the newspapers is another way of conveying the news to the public and highlights what is already in the newsprint. I do not think the picture you published on January 4 was in any way distasteful or disrespectful. If anything it aroused sympathy for the soldier dying for a wrong cause.

It is the duty of the media to highlight such news by photographs to convey the intensity of such useless wars and the loss of human life, whether it is the soldier or an innocent member of the public.

I H Khan,
10 Tillingbourne Gardens,
London N3 3JL

Not such a good feeling

From Mr Ernest G Gobert.

Sir, I have been reading the FT daily for the last 30 years or so (except for a few days in order to punish you when you told your readers to vote Labour).

One of the reasons for my devotion to your paper is Lex. Sound, well reasoned, well written in good English. Until Friday ("UK retailing", January 6).

Alas, Lex has succumbed to the "feel-good" factor. Surely the "feel-good" factor is what you experience when you are close to your lover. But this hardly applies to the antics of the stock market or the governor of the Bank of England or the chancellor of the exchequer.

I suppose a tip of the iceberg and a level playing field will be next. Clearly.

Ernest G Gobert,
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FINANCIAL TIMES
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Tuesday January 10 1995

Télévision à la française

Yesterday's legal opinion that the outgoing European Commission lacks the authority to decide on plans for tougher restrictions on broadcasting policy marks a victory for liberals in Brussels. But it may produce no more than a temporary ceasefire. The French government, which has led the campaign for tighter curbs, appears determined to make the issue a priority of its EU presidency in the first half of this year. Further battles are therefore in prospect.

France has two main objectives. In the name of defending Europe's audiovisual industry against US competition, it wants to make binding the existing – largely voluntary – guidelines which call on European broadcasters to ensure that at least half their programming is of EU origin. France also wants broadcasters to be compelled to invest a minimum proportion of their budgets in European productions.

Proposals along these lines from tha European commiaaioner responsible have not only infuriated Hollywood, but have split the Commission and the EU down the middle. Though some Mediterranean countries broadly support them, northern members, led by Britain and Germany, are adamantly opposed. They object that broadcasting qnotas, as well as being overtly protectionist, fly in the face of technological reality. Though such heavy-handed regulatory intervention would ultimately be defeated by the spread of alternative communications channels, it risks frustrating the development of Europe'e multimedia and information industries.

Barriers

Mandatory quotas would also contradict the original intention of the EU's five year-old "Broadcasting without Frontiers" directive. This set out to achieve the minimum harmonisation of national policies needed to remove obstacles to a single market in television. France's demands, by contrast, would raise barriers around the EU without doing anything to promote cross-border trade in audiovisual services inside it.

France responds that what is at stake is not economics, but the integrity of European culture. The argument has undeniable emotional appeal, at a time when many people feel their national identity threatened by globalisation and technological advance. However, the French government, for all its protestations of Europeanism, is not out to save European culture. Its overriding concern is to safeguard its own film and TV industry.

Regulatory edifice

No French minister bas seriously contended that EU broadcasting qnotas are intended to increase the amount of British, German or Italian programmes shown on French television – or that that is what French viewers want. France'a real interest is in trying to shore up the elaborate regulatory edifice of programming quotas, subsidies and restrictions on competition which it has created in an effort to protect its national film-making and television prodnction industries.

French broadcasters have long complained that they are placed at a competitive handicap by measures such as the requirement that they pay out as much as 25 per cent of their turnover to finance local production. Tbe French government's objective appears to be to "level the playing field" by getting Brussels to impose similar burdens on the rest of the EU broadcasting industry.

Any other EU members tempted by the French approach should examine its results closely. Efforts to ban US game shows and soap operas have have merely encouraged home-grown imitations. Hollywood filma remain box-office favourites, and though soma recent French films have done well at home, few have earned big profits abroad. Many others have been commercial failures. Nothing suggests that a heavily protected national market stimulates better programmes for domestic viewing – or provides an incentive to cater to international audiences.

In truth, quotas are not needed where local programme quality is adequate. Subsidies to raise local prodnction standards are reasonable at national level. But tbe Europe-wide measures France advocatee would do more harm than good. If its EU partners want a thriving audio-visual market, they should recognise its proposals as self-serving nationalism and reject them.

Brown targets the banks

The UK clearing banks have always been a soft target for politicians, most notably so in the early 1980s when they were subjected to an arbitrary 2¼ per cent levy on their non-interest bearing deposits by a Tory government. With profits now soaring thanks to the elimination of large provisions for bad debts, they are once again looking vulnerable to predatory political attention. A set of proposals from shadow chancellor Mr Gordon Brown, including a new regulatory body for banks, looks well designed to raise the bankers' blood pressure. Yet, at this stage at least, Mr Brown's bark looks a great deal worse than his bite.

Labour is not arguing that the banks' profits are excessive overall; marely that the recent improvement in profitability gives them an opportunity to address public concern over the cost and quality of their service. The role and powers of the proposed banking regulator bave yet to be fully explained. Yet it seems that it is intended to be less like the existing utilities watchdogs, more a small-scale Office of Fair Trading (OFT) specifically for banking, with a mandate to monitor competition, improve transparency and champion the general cause of the customer. The question is whether such a body is necessary.

The traditional case for separate regulatory arrangements for banking rests on externalities: the fact that excessive risk-taking by a single bank has consequences for the rest of the system because of the instability inherent in financing loans with demand deposits. Depositors can precipitate runs. That is the real rationale for prudential supervision, the lender of last resort function of central banks, and of deposit insurance, even if consumer protection has loomed larger in recent banking legislation than in the economic textbooks.

Moral hazard

To make the case for widening this remit in the way suggested by Mr Brown, it is necessary to show that competition in banking is somehow uniquely different and that in its present form it works to the detriment of society. This is certainly arguable, in that deposit insurance creates moral hazard by removing the depositor's incentive to monitor banks. But Mr Brown does not address this point, which is at the root of much recent loss-making. He appears, instead, to believe that there are pockets of excesa profit arising from poor competition in retail banking.

This is hardly true on the deposit side of the balance sheet, where a eurfeit of banks and building sociaties in tha high street offers a welter of different products. If there are constraints here, they reflect the regulatory inhibition on building societies' ability to raise wholesale money. Yet the fact that Labour proposes a regulator for the limited area of commercial banking suggests that the conception of this watchdog has been balf-baked. If retail banks are realistically defined to include building societies, Britain has more nationwide banking coverage than most.

More merit

On the asset side, the case against the banks bas more merit. Real rates of interest on some consumer loans look high, while the charges levied by some banks for overdrafts, unauthorised or otherwise, can be swingeing.

Yet the information about charges is publicly available, and the terms levied by some of the big clearing banks' competitors in today's deregulated marketplace look cheap. If banks' notoriously inertia-prone customers do not wish to respond to such price signals, is a mini-OFT worth the bother?

The one area of Labour concern which unquestionably does merit serious attention is small business, which is excluded from the securities markets and so dependent on bank finance. Monetary policy thus bears very heavily on this sector in a downturn. Having been burnt in the somewhat freakish circumstances of the last economic cycle, it is possible that the banks may be overreacting by charging an excessive risk premium.

Here Labour offers the additional, if familiar, suggestion of an increased role for regional development agencies. Given the losses incurred by the clearing banks, the taxpayer will need considerable reassurance that such lending is well directed and monitored. The politics of this package are transparent enough, but the economic case looks deficient.

Gazprom, Russia's monopoly gas company, plans to sell shares to foreign investors. **Robert Corzine, Nicholas Denton** and **John Thornhill** explain why

Ambitious but a bit frightening

Soviet-era superlatives may no longer be appropriate to today's recession-ridden Rnssia. But they still apply to Gazprom, Russia's biggest company and, by at least one definition, the largest hydrocarbon producer in the world, with output greater than that of Saudi Aramco.

Later this year Gazprom, Russia's monopoly gas producer and distributor, plans to sell 9 per cent of its shares to foreign investors.

Some western investors see this as a unique opportunity to get in on the ground floor in a company that could dominate for decades one of Europe'e most important and fastest-growing energy markets. Others, however, wonder whether Gazprom can transform itself into a fully competitive, international company, given its bureaucratic culture and the economic and political uncertainties that bedevil Russia.

What is not in dispute is the size and scope of Gazprom's reserves and operations. It controls 34 per cent of the world's known natural gas reserves, supplies nearly a fifth of total west European gas demand and is the country's single largest source of hard currency, earning between $6bn and $7bn a year.

Internationally, bankers regard it as the most creditworthy of Russian companies. At home, Russians joke that Mr Viktor Chernomyrdin, its former chairman, took a demotion to become prime minister.

Its plans are ambitious and, to some westerners, a bit frightening. At a presentation in New York last year, Mr Rem Vyakhirev, Gazprom chairman, spoke about the development of yet another giant gas field. "Our grandchildren will work for Gazprom," noted one US banker. "Gazprom 2094: Big Brother," scribbled another.

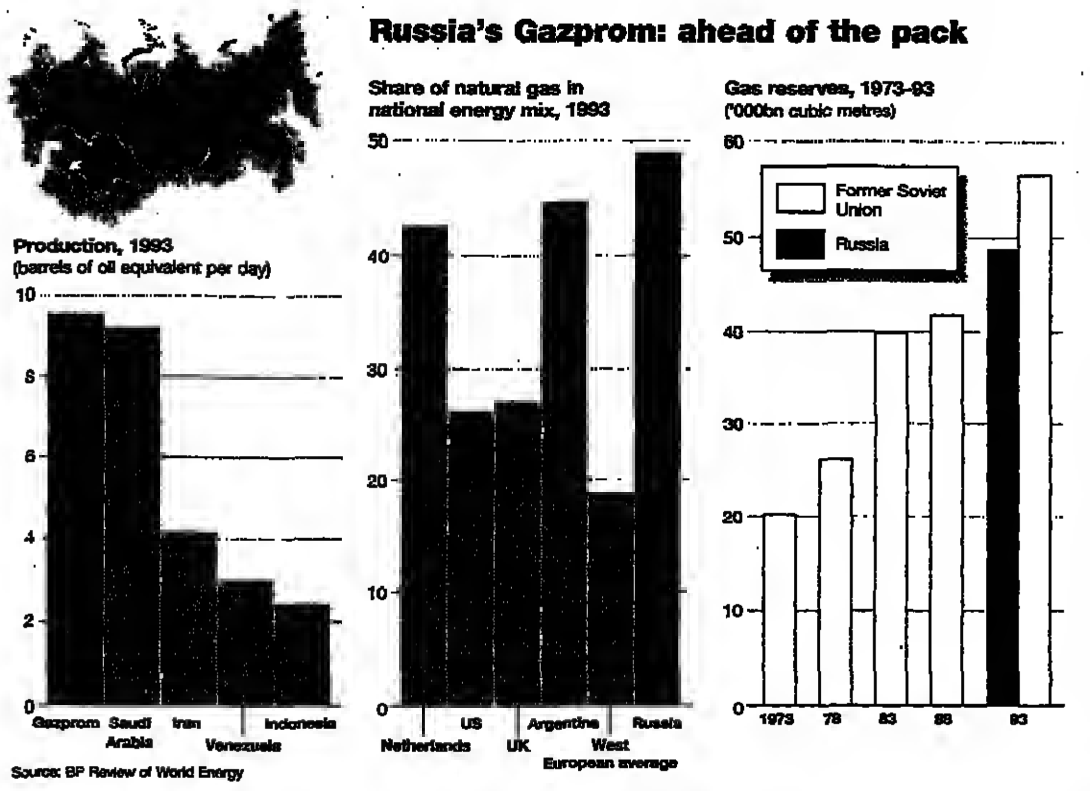
Yet it is Gazprom's size and monopoly status that attract many western investors and bankers. Unlike the Russian oil industry, there has been no attempt to split the company into smaller units.

Its influence is such that, last year, 34 per cent of its shares were sold for privatisation vouchers in a closed auction mainly held in gas-producing regions, rather than through the open offer system used for other privatisations. This meant that a large proportion of the shares went to investors in western Siberia, the heart of the company's operations.

Employees hold an additional 15 per cent, while the state retains a 40 per cent stake. Foreign shareholders will be sold the shares now held by the company, a 10 per cent stake.

The company enjoys an independence from government tbat reflects the country's overwhelming dependence on gas. Russian industry is one of the most gas-intensive in the world, and gas provides the bulk of Russia's heating needs.

Russia's Gazprom: ahead of the pack



Source: BP Review of World Energy

The company is not without its domestic critics, however. A group of officials in the Ministry of Fuel and Energy argues that Gazprom should be broken up to introduce greater competition and efficiency in the domestic gas market. They are trying to encourage other companies to develop gas fields independantly of Gazprom.

Western experts who have spent time with Gazprom say it makes sense to keep it intact, at least in tbe medium term. "Gazprom is among the few Russian organisations that actually works," says Mr Jonathan Stern, a consultant for the International Energy Agency, the west's energy-monitoring body.

For the moment Gazprom's directors exude confidence. They can be scornful of the reserves and expertise of foreign companies, and have rejected almost all proposals jointly to develop fields in Russia, although they say sucb co-operation may be possible for particularly remote and technically demanding projects.

Gazprom has, however, been busy forging alliances and relationships with western energy groups and suppliers. Last month, it took a 10 per cent stake in the UK-Continent Interconnector, a £440m undersea pipeline being financed by a number of international energy companies to link the British and Continental European gas grids.

It has a 35 per cent stake in Wingas, a joint venture with Wintershall, the natural gas subsidiary of German chemicals giant BASF. It also has partnership arrangements with companies including Ruhrgas, the German gas company, British Gas, Snam of Italy and Enron of the US. Such companies are among the many mentioned as possible trade investors in Gazprom, although most are non-committal.

But wby is Gazprom so keen to see foreign companies on its shareholder register? After all, say industry observers, Gazprom can enter industrial alliances with ease, there is growing western demand for Russian gas, it can raise international loans and it receives preferential treatment from the present government in Moscow.

The main reason is a cash shortage, caused by its need to refurbish mucb of its network and expand its export capacity at a time when its bad debts are at record levels.

The company's annual sales are thought to be equivalent to $10bn-$11bn. But it is owed about Rbs7,000bn by Russian industrial customers and former Soviet republics. It is politically impossible for it to cut off key industrial users.

The company is pressing ahead with improving the efficiency of its production and pipeline network. Although Gazprom has long been able to buy critical equipment from abroad, parts of the system are less efficient than those of western counterparts. Gazprom's management realises that "they could make major savings by spending some money now", says Mr Stern.

Gazprom also needs to expand its export capacity and flexibility. At present the main export pipeline to western Europe runs through Ukraine. That gives Kiev a potential stranglehold over the company, a fact whicb Gazprom's western customers view with concern.

The company wants to build a multi-billion-dollar pipeline between its vast gas fields in the Yamal Peninsula of Arctic Russia and western Europe vie Belarue and Poland. "Gazprom needs to go ahead with that pipeline even if it doesn't have the long-term contracts to fill it," says Mr Stern. It will not eliminate Gazprom's dependence on Ukraine, but it at least represents a "credible alternative" for some customers.

What is the likelibood of Gazprom succeeding in its proposed share offering? Some observers are sceptical that the transaction will take place as planned. One corporate financier recently put tbe likelihood of the offering coming off at 25 per cent.

Otbers say tbat, as long as Gazprom's financial data remain fragmentary and distorted, its advisers and potential institutional investors may not feel able to go ahead. There are also concerns about Gazprom's ability to manage its share register. It says it will use its powers over the registration process to ensure a ring fence between domestic and foreign shareholdings. But foreign investors bave recently complained about the ability of Russian companies to maintain share registers accurately.

Western industrial investors may view a Gazprom shareholding in more strategic terms. They might also be able to use tbeir knowledge of Gazprom's operations to make a more accurate assessment of tbe true state of the company.

But they too are concerned about the uncertainty in Russia. "You do not know whether your dividend rise will be greater than the rouble's depreciation," says an executive with one western company.

In spite of such problems, the prospect of being among the first foreigners to buy into Gazprom, whenever the offering takes place, has excited some investors. But a successful offering is likely to depend less on the company's ability to dazzle investors with its size than on bow it impresses them with its mastery over the financial details of its far-flung operations.

Bosnian peace needs Italian input

PERSONAL VIEW

Seen from Italy, less than 100 miles away, the Yngoslav conflict looks somewhat different and even more distressing than from western or northern Europe, let alone the US. Our geographical position makes Italy particularly sensitive to what is going on close to its borders. But it is not only a question of security: Italy considers the prolonged conflict in former Yugoslavia as a "wasted opportunity".

When the Berlin wall came down, the Italian government saw the cbance of integrating central Europe and the Balkans into western Europe's market and institutions. Integration and Europeanisation were seen as the patb to modernisation, as opposed to a nightmare of "balkanisation" and political fragmentation. Tbe break-up of Yugoslavia and the Bosnian tragedy dealt a blow to our vision: the nightmare is now reality.

The Bosnian quagmire highlights the increasing responsibilities that European diplomacy needs to confront to avoid destabilisation of the continent. The European Union's role so far in this conflict in its own back-yard has been unsatisfactory, but sbould not be underestimated. If the EU had not been there, the Balkan crisis could bave stirred up a broader conflict – as in 1914.

Under the present circumstances the only choice for the international community is to pursue a "two-track policy": containing bostilities on the military side; continuing to search for a political solution on the diplomatic side.

As for containment, the UN protection force still has a crucial role to play. Despite criticisms of its role, tbe 25,000-strong UN presence in Bosnia helps in defusing problems, guarantees a degree of humanitarian aid and ensures that war does not spill beyond Bosnia.

The consequences of a UN pull-out, tberefore, would be catastrophic – politically and psychologically. But no less catastrophic would be a lifting of the UN arms embargo against Bosnia. This could fuel the Moslems' vision of a liberation war that would be as unreasonable and destructive as the Bosnian Serbs' attempts to cut too big a slice of Bosnia for themselves. By leaving the warring parties in Bosnia to their own devices, the international community would discredit itself and jeopardise the increasing hopes of a political solution.

Whether we like it or not, Belgrade remains the "crossroads" of any possible peace process. The help of Mr Slobodan Milosevic, Serbia's president, may not be sufficient to achieve peace in the former Yugoslavia, but peace will be impossible without bis support and assent. On my visit to Belgrade in December, I got the impression that Mr Milosevic is enforcing tbe trade embargo against the Bosnian Serbs satisfactorily. He is shrewdly manceuvring to persuade Mr Radovan Karadzic and his Bosnian Serb parliament to see reason.

Lifting the UN arms embargo against Bosnia could fuel the Moslems' vision of a liberation war

It would be wrong to make e naive distinction between "good guys" and "bad guys". Mr Milosevic and Mr Karadzic share basically the same goal – creation of a "Greater Serbia" that would include parts of Bosnia. Only their tactics vary.

But Mr Milosevic's government, under the pressure of UN sanctions, has realised that diplomacy and negotiations are a better way to achieve national goals. The UN Security Council sbould take account of that on January 12, when it must decide whether or not to make permanent the relaxation of sanctions against Serbia. A new toughening of sanctions against Belgrade could backfire on the peace process at a time when Mr Milosavic is trying to quieten Mr Karadzic and the latter has just agreed to a four-month ceasefire.

The basis of such a political solution, however, should remain the plan put forward by the five-nation contact group (US, Russia, UK, France and Germany). Our aim should be to allow Serbia to regain both its own role and dignity in Europe, while at the same time guaranteeing the rights of the Moslem population within the new Croat-Moslem federation in Bosnia.

However, Italy has so far been unfairly excluded from the contact group, despite an active contribution to the management of the Yugoslav crisis. Our country bas provided crucial logistical assistance to enforce no-fly zones and to carry out humanitarian missions, without receiving the political acknowledgement it deserves. Yet the Italian government is still anxious to play an active role in the peace process.

Both Serbia and Croatia would like to see the present contact group enlarged to include Italy, Japan and Canada. The creation of such a "G8" group to sort out the Bosnian mess would give fresh impetus to a peace process that has now begun to bear fruit.

Livio Caputo

The author is minister of state at the Italian Ministry of Foreign Affairs.

OBSERVER

Politicians' muse

■ What is it about politicians and poetry? Is there something in the job of legislating that turns them peculiar? Former US president Jimmy Carter's ninth and latest book – a collection of 44 poems called *Always a reckoning* – officially went on sale yesterday. He thus becomes the third published presidential poet, along with John Quincy Adams and Abraham Lincoln.

There are important precedeots for Carter's efforts. Back in 1986 Spark Matsunaga, then senator for Hawaii and no mean bard himself – his ode to a traffic light has the lines "Impartial traffic cop/that blushingly speeding cars do stop" – achieved a lifetime ambition: the US appointed its first poet laureate, Robert Penn Warren.

Beyond the US, José Sarney, former president of Brazil, gets the muse, as does Shimon Peres, Israel's foreign minister. Radovan Karadzic, leader of the Bosnian Serbs, last year won the Russian Writers' Union Mikhail Sholokhov prize for his poems.

Kenneth Baker, a former government minister under Baroness Thatcher, published a praised anthology of others' poetry. Apparently he also writes his own but shows it to no one.

Penning poetry is not to everyone's taste, however. "I can't do poetry," said George Bush, having muddled up a speech writer's poetic words during his 1998 presidential campaign against Michael Dukakis.

Carter's is a nicely-publisbed, pleasantly illustrated volume, though the poetry itself rarely rises above doggerel. Some of the titles – *My first try for votes*; *Progress does not always come easy*; and *A contemplation of what has been created and why* – give sufficient flavour.

For more robust stuff, it's hard to beat Clem Attlee, former Labour prime minister, wbo wrote an immortal limerick about himself:
Few thought he was even a starter;
There were many who thought
themselves smarter.
But he ended PM
CH and OM
An earl and a knight of the garter.

Bruges bruises

■ Tony Blair's speech setting out his vision of Britain's place in Europe to a glittering audience of European businessmen in Brussels tonight will be the first to bear the imprint of his new chief of staff, Jonatban Powell.

The former first secretary at the British embassy in Washington joined the Blair team last week. The younger brother of Charles, Baroness Thatcher's foreign policy mentor through most of the 1980s, Jonathan can expect a key role in shaping Blair's foreign policy.

'Not veal again'

But will tonight's effort live up to Thatcher's most famous pronouncement on Europe, delivered also in Belgium six years ago? The Bruges speech of course was written by Charles.

Saatch is life

■ Now that Jeremy Sinclair (acting chairman), Bill Muirhead and David Kershaw, the North American and London heads, have resigned from Saatchi & Saatchi, it's becoming obvious that Maurice Saatchi will not meekly go off and lick his wounds. "That's the Tories, Mars and British Airways all gone together," says one who knows the group well.

All three are close pals of Maurice, but that'a hardly enough to tempt them to surrender salaries believed to hover round the £250,000 mark.

There must be a plan – but what? Some insiders feel that, rather than set up another, rival agency, the group might jump *en masse* to the Lowe group, where another mutual friend, Frank Lowe, is chairman and chief executive, under the umbrella of the mammoth interpublic agency.

So a seat on Interpublic's board for Maurice, and new jobs – with the same clients – for the rest? Lord spare us another mouthful-agency, such as Saatchi Sinclair Muirhead Kershaw.

Papered-over

■ *Plus ça change* at Le Monde. The worthy French newspaper for France's liberal intellectual élite is the latest French publication to try to restore its sagging fortunes with a facelift.

The new Le Monde has a alightly cleaner version of the Gothic type face spelling out its name, an exciting new thin black line just below it, and evidence of more frequent, more attractive illustrations.

Otherwise, the principal difference seems to be the belief that greater success will come through with even more words in longer articles on more pages than ever. Yesterday's had 40 tightly-packed pages.

The real reason for the alteration is of course money, or rather lack of it. Maybe there is hope after all – the other key change yesterday was lots of extra advertising from well-wisbers. Perhaps a re-launch every month is tbe secret?

Dead wrong

■ The gaffer has done it again. As Britain's MPs return to Westminster today from their Christmas break, Tory party chairman Jeremy Hanley bas fired an early broadside at Labour – only to have it blow up in his face.

Hanley has published a list of 100 facts about the up-beat prospects for the UK economy, boping they will prove uncomfortable for Labour.

Unfortunately, eagle-eyed MPs spotted that Hanley had got his millions and billions mixed up. "The PSBR is forecast to fall from £21.5m in 1995-96," was one boast, followed by a claim that spending on Welsb language promotion was "now over £7.5bn". If true, that would dwarf the UK's annual spending on transport.

Just practising

■ Latest Florida bumper sticker: "Come back to Miami. We weren't shooting at you."

FINANCIAL TIMES
Tuesday January 10 1995

Board accused of 'commercial vandalism'

Satchi trio quit over resignation of founder

By Diane Summers and Robert Peston in London

Charles and Maurice Saatchi sold their Saatchi & Saatchi shares last week, just days before yesterday's announcement that three senior executives in the advertising group had resigned. The company's share price fell 11 per cent on the day to close at 124p.

The three executives resigned because of their anger at the Saatchi board's decision to oust Mr Maurice Saatchi as group chairman just before Christmas.

The executives – who accused the board of "commercial vandalism" – are Mr Jeremy Sinclair, who replaced Mr Maurice Saatchi as chairman on a temporary basis; Mr Bill Muirhead, chief executive officer of Saatchi advertising in the US; and Mr David Kershaw, chief executive of the UK agency.

Mr Charles Scott, group chief executive, said their resignations were part of a "cynical campaign to destabilise the group". He said they would be held to the terms of their contracts, which means that they cannot work for any other advertising company – or any of Saatchi's clients – for at least a year.

He tried to stem the damage from their departures by proposing that Mr Ed Wax, chairman of the Saatchi worldwide agency, should be appointed to the main board, with Mr Michael Bungey, head of the group's second and more profitable network, Bates.

Saatchi's share price yesterday fell 16p on the day. However, the Saatchi brothers sold their 1.8m shares at the beginning of last week, when the share price traded between 138p and 146p, according to the company.

Mr Maurice Saatchi was last night unavailable for comment, although a friend said he had been planning to sell his stake from the moment he was ousted and had been unaware at that time that the three were to leave.

Mr Scott said the three had shown a disregard for staff and clients by disclosing their resignations to the press at the same time as the company was informed. Their resignation letters attack the way Mr Saatchi – who last week turned down an offer to stay at the company as head of the Saatchi advertising subsidiary – was removed.

Mr Sinclair's letter says: "This company is in the grip of people who do not understand the business and seem prepared to ignore the advice of those who do."

Mr Muirhead wrote: "I warned you [Mr Scott] and the board, and anyone else who would listen to me, of the damage Maurice's removal would cause the company."

Mr Scott replied that the majority of senior executives in the group had been in favour of Mr Saatchi's removal as chairman.

See Lex; Observer, Page 15; London stocks, Page 27

Samsung may set up $1bn semiconductor plant in US

By John Burton in Seoul, Tony Jackson in New York and Louise Kehoe in San Francisco

Samsung Electronics, the South Korean prodncer of memory chips, is considering establishing a semiconductor plant in the US by 1998.

The plant, which might cost up to $1bn, would produce 16-megabit and 64-megabit dynamic random access memory (D-Ram) chips to meet growing demand in the US, the company's largest export market.

Samsung showed the fastest growth among the world's leading semiconductor manufacturers last year, with sales up 61 per cent at $4.9bn, according to a survey released yesterday. That made it the world's seventh-largest producer, with a market share of 4.5 per cent.

According to the survey – from the US company Dataquest – the world's biggest producer remained Intel of the US, which increased its revenues by 21 per cent to $10.1bn, or 9.2 per cent of the market. It was followed by NEC (7.2 per cent), Toshiba (6.9 per cent), Motorola (6.6 per cent), Hitachi (5.9 per cent) and Texas Instruments (4.8 per cent).

Dataqnest estimated that the world semiconductor market rose 28 per cent in value last year to $109.7bn. North American producers maintained their lead for the second year running, with 45.4 per cent of the total.

However, Japanese companies narrowed the gap, with 44.4 per cent. Other Asia-Pacific producers, including Korea and Malaysia, increased their sales by 63 per cent to $10.1bn in total putting them ahead of European producers for the first time.

Samsung's proposed plant would be the company's first offshore facility involving the complete manufacturing process and would be the company's second semiconductor manufacturing site abroad after a plant in Portugal operated jointly with Texas Instruments.

In October last year, NEC, the Japanese electronics gronp, announced it would invest $50m in its semiconductor manufacturing facility in California, becoming the first company to mass-produce next-generation 64-megabit chips in the US.

Samsung, with Hyundai and Goldstar, have led South Korea's drive to become a world leader in the $23bn D-Ram market over the past few years. Korean companies now account for approximately 28 per cent of world D-Ram production, according to Integrated Circuit Engineering, a US market research group, and Samsung is the world's largest producers of 1-megabit and 4-megabit D-Ram chips.

Samsung and other Korean semicondoctor manufacturers are seeking to acquire US semiconductor technology companies in an attempt to produce higher value-added chips than D-Rams.

South Korea under fire over excavators, Page 6

Passengers on QE2 plan £40m class action

By William Lewis and Michael Smith in London and Richard Tomkins in New York

A gronp of passengers who travelled on the QE2's ill-fated Christmas cruise to the US is to press ahead with a £40m ($62m) legal action in New York despite the offer of a £7.5m compensation package to all passengers affected by the ship's problems.

Trafalgar House, the UK industrial conglomerate which owns the QE2 through its subsidiary Cunard, gave details yesterday of the compensation it had offered as a result of "the forced cancellation of passenger bookings and considerable immediate passenger dissatisfaction".

The details were disclosed in Trafalgar's offer document for Northern Electric, the regional electricity company for which it has launched a £1.2bn contested bid. The offer inclndes fare refunds, free or discounted future voyages and cash sums.

City analysts expected Trafalgar to make pre-tax profits of between £65m and £90m this year before yesterday's announcement. Some assumed yesterday that the £7.5m would be taken as an expense on this year's profits but Trafalgar said no decisions had yet been made.

Passengers who made the trip aboard the QE2 cruise ship last month in what were described as "building site" conditions are still planning to sue Cunard.

Professor Christine Hall from Fort Lauderdale, Florida, said yesterday that she and other passengers planned to file a class action suit in New York seeking compensation far beyond that already offered by Cunard.

She said she was discussing the possibility of legal action with the law firm Kreindler & Kreindler in New York. Grounds for a claim could include safety issues, as well as the discomfort and distress caused by inadequate accommodation.

Trafalgar played down the possibility of legal action and stated that "on the basis of current informatiou, it is not expected to have a material effect on the Group."

A separate group of up to 100 passengers is currently negotiating with Cunard to improve their compensation terms.

Mr Andrew Lennox, who represents them, said that last Friday Cunard increased its offer to a full refund for the trip plus another free transatlantic cruise.

Mr David Morris, chairman of Northern Electric, said Trafalgar's claims "to encourage an increasingly commercial culture in Northern while continuing to enhance the quality of service" contrasted starkly with the QE2's "recent debacle".

Northern Electric questions lack of rationale in offer, Page 24

THE LEX COLUMN

Out of bondage

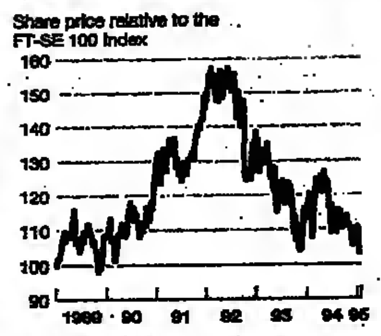
It has been obvious for some time that Warburg needed to take an axe to some of its less successful operations. Had the merger with Morgan Stanley gone through, the blow could have fallen under the cover of the rationalisation of two large institutions. Instead Warburg has had to summon up the courage to take the difficult decisions on its own. No doubt the market will applaud it for doing so. Cost savings of £25m a year are not to be sniffed at, and it is not as if its international debt operations have a glorious record. The most recent blemish is the losses as US interest rates turned last year. But these came as less of a surprise to those who remembered the losses on European bonds after the Danish Maastricht referendum.

Warburg believes, probably rightly, that its domestic franchise in sterling bonds is strong enough to survive without the international distribution capacity that is now being cut. But the capital being freed up does not appear sufficient to buy a significant stake in domestic equity distribution in the US. So Warburg's main thrust in that market must remain the distribution of international equity issues in which it has a valuable niche.

Critics will carp that this leaves Warburg looking more like a Kleinwort Benson and less like the Goldman Sachs or a Salomon Brothers which it once sought to emulate. The risk remains that long-term growth could prove elusive unless a partner is found. The reshaped Warburg would be a good fit for a large international bank looking to enhance its sterling skills. The snag is that, as the Morgan Stanley episode shows, any buyer would have to pay the price demanded by minority holders of Mercury Asset Management.

FT-SE Index: 3055.8 (-9.2)

Grand Metropolitan



Source: FT Graphite

Grand Metropolitan

The logic of mixing Haagen-Dazs ice-cream with waffles and Mexican enchiladas is impeccable – at least in business terms. The distribution systems are identical, so once Grand Metropolitan has acquired Pet it should wring significant savings. The deal boosts the scale of GrandMet's operations in the US, a market where size counts, and provides brands in fast-growing segments such as Mexican and Italian foods. The management also hopes to repeat the success of its ice-cream operations by internationalising its newly-acquired brands.

That said, GrandMet's claims that the acquisition is earnings enhancing are disingenuous. Tha forecasts published yesterday excluded a £120m exceptional charge for restructuring. When included, the deal is probably dilntive for this year at very least. That does not mean GrandMet overpaid. Campbell Soup paid far more for Pace Foods on both a multiple of sales and a multipls of earnings before interest and tax.

In any case, disposals will defray the deal's cost. Pet participates in five of the US's 38 fastest expanding grocery categories. Yet sales growth was just 4 per cent last year. That indicates the existence of a number of low-growth brands GrandMet could sell.

Yesterday's 6 per cent share price fall was partly caused by the deal's unexpectedly large size. Another reason was investors' disappointment that once again they will be unable to compare two years worth of GrandMet's figures on a like for like basis. GrandMet demonstrated with Pillsbury it could rationalise businesses quickly. Its best response would be to repeat the trick with Pet.

Saatchi

The so-called "bean counters" at Saatchi & Saatchi may have won the battle, but the war rages on. It must be testing the resolve of shareholders who forced out founder Maurice Saatchi last week. Mr Saatchi may have presided over a 98 per cent decline in the Saatchi share price during his chairmanship. Bnt shares have plunged 19 per cent since investors revealed the intention to restructure his role.

The latest three defections from Saatchi could undoubtedly wreak damage. They were key to the already vulnerable British Airways account. And staff morale was already suffering from Mr Saatchi's claim that the 'Ad men' had lost control.

Saatchi's problem has been gaining a balance between the interests of shareholders and those of employees who represent its main assets. The corporate excesses of Mr Saatchi left shareholders understandably nervous. But he had strong ties with staff and clients in a relationship-led business.

All is not lost. Appointing the heads of the Saatchi and Bates agencies to the main board could help provide the balanced management structure that Saatchi never achieved. This could smooth out the boom-bust cycle that characterised it of old; but it must first stem its personnel losses.

Unigate

Given the increased costs caused by the UK milk supply industry's deregulation, it was almost inevitable Unigate would push overseas. Buying two French dairy companies is no great leap forward, as chairman Ross Buckland would admit given his continental expertise from running Kellogg's European business. But this is likely to be only the first of several moves across the Channel.

Yesterday's share price rise reflects relief that the move is both cautious and earnings enhancing. Unigate has bought product lines with which it is familiar through St Ivel. The acquisitions may not be in high growth markets, but they offer growing earnings on the back of recent rationalisation programmes. In addition, there could be mutual benefits from product development and new export markets.

The main problem is finance. Unigate is not buying significant brand names, but is paying at least £63m for only £4m of net assets. Interest cover will remain at more than six times, but gearing will exceed 60 per cent. The company is also expected to announce more than £30m of restructuring costs in response to UK deregulation. This will leave it weakened if it wants to make further purchases either on the continent or perhaps from Dairy Crest in the UK.

There is, however, an easy answer. The disposal of its stake in Nutricia of the Netherlands would provide more than £200m. Given a minimal book value, this would substantially rebuild Unigate's balance sheet and allow it greater scope for ambition.

Truce call

Continued from Page 1

come in for renewed criticism in Moscow as parliament resumes tomorrow. It will debate the Chechen crisis, including a bill to ban the use of armed force to resolve internal conflicts and demanding the publication of the number of casualties. Officials have reported that 256 Russians and 2,500 Chechens have been killed since Russian troops moved into Chechnya last month.

Warburg quits Eurobonds

Continued from Page 1

appointed Mr David Burnett as head of its fixed interest and treasury division. Warburg started a review of bond activities six months ago after the scale of losses becams apparent.

The bank said it was withdrawing from deht market-making in nine currencies, including French francs and German marks, and pulling out of the international sale of government and corporate deht securities required in Euromarkets.

Warburg has been viewed as the UK investment bank best able to compete with US firms. BZW, the investment banking arm of Barclays, and HSBC Holdings, are the other two British firms with substantial Eurobond operations.

The decision by Warburg follows intense competition in recent months in the Eurobond market.

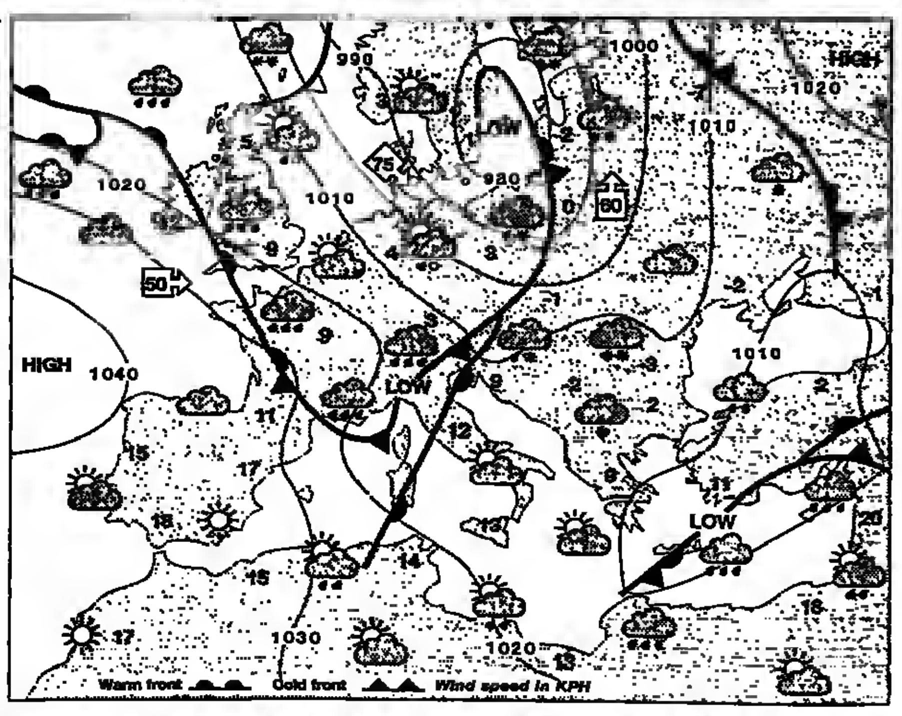
FT WEATHER GUIDE

Europe today

Western Europe will be mild and rainy but it will still be wintry in the east. Another surge of mild air with temperatures between 8C-12C will reach Ireland in the morning and spread into Britain and France. Cool and unstable air behind a cold front will flow into the Low Countries and Germany producing showers mixed with sunny periods. Freezing rain or snow will cause slippery roads in Poland, the Czech Republic, Slovakia and near the Alps before milder air with rain arrives from the west. Heavy snow will occur along the north slopes of the Alps above 1,200 metres. Eastern Europs will remain wintry with snow flurries and temperatures between -12C and -3C.

Five-day forecast

Snow will continue in the Alps with fresh falls totalling 50-100 cm. After two bleak days, with numerous wintry showers in the north-west, the flow will shift from north-west to west and milder air will arrive. England will be fair for the next two days, but will become unsettled again from Friday. Portugal and Spain will be fair while the south-east Mediterranean will remain gusty and very wet.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	3	Caracas	fair	28	Faro	sun	17	Madrid	fair	12	Rangoon	fair	33
		Celsius	Belfast	rain	7	Cardiff	rain	11	Frankfurt	fair	6	Majorca	fair	15	Reykjavik	sun	-4
Abu Dhabi	fair	23	Belgrade	fair	0	Casablanca	fair	18	Geneva	rain	7	Malta	fair	14	Rio	fair	28
Accra	fair	32	Berlin	cloudy	3	Chicago	snow	-5	Gibraltar	sun	17	Manchester	rain	7	Rome	fair	12
Algiers	shower	13	Bermuda	shower	22	Cologne	fair	5	Glasgow	rain	8	Manila	cloudy	30	S. Frsco	rain	13
Amsterdam	fair	6	Bogota	cloudy	24	Dakar	fair	25	Hamburg	hail	3	Melbourne	fair	30	Seoul	fair	0
Athens	shower	10	Bombay	sun	28	Dallas	fair	22	Helsinki	snow	-3	Mexico City	fair	23	Singapore	thund	27
Atlanta	fair	13	Brussels	fair	6	Delhi	shower	18	Hong Kong	fair	23	Miami	sun	24	Stockholm	snow	1
B. Aires	fair	23	Budapest	snow	0	Dubai	fair	23	Honolulu	cloudy	27	Milan	sun	8	Strasbourg	fair	6
B.ham	cloudy	8	C.hagen	fair	4	Dublin	rain	9	Istanbul	cloudy	8	Montreal	sun	-18	Sydney	cloudy	23
Bangkok	fair	33	Cairo	fair	18	Dubrovnik	fair	11	Jakarta	shower	30	Moscow	cloudy	-10	Tangier	fair	18
Barcelona	fair	14	Cape Town	fair	26	Edinburgh	shower	8	Jersey	windy	10	Munich	snow	4	Tel Aviv	fair	20
									Karachi	sun	25	Nairobi	fair	24	Tokyo	fair	10
									Kuwait	fair	24	Naples	fair	11	Toronto	fair	-5
									L. Angeles	rain	16	Nassau	cloudy	24	Vancouver	rain	9
									Las Palmas	fair	20	New York	fair	-2	Venice	sun	4
									Lima	cloudy	26	Nice	rain	13	Vienna	rain	5
									Lisbon	fair	16	Nicosia	rain	18	Warsaw	snow	3
									London	cloudy	8	Oslo	sun	1	Washington	cloudy	0
									Lux.bourg	fair	8	Paris	shower	9	Wellington	shower	15
									Lyon	rain	8	Perth	fair	25	Winnipeg	fair	-11
									Madeira	fair	18	Prague	rain	4	Zurich	rain	7

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday January 10 1995

IN BRIEF

Colgate agrees to buy Kolynos

Colgate-Palmolive, the US consumer products group, has agreed to buy the Kolynos toothpaste business from American Home Products, the US pharmaceutical company, for $1.04bn in cash.

Kolynos has annual sales of about $300m, mostly in South America. As a result of the acquisition, Colgate's oral care sales will rise to $2.5bn a year, and its share of tha world toothpaste market will rise from 40 per cent to nearly 50 per cent.

Siemens in talks to buy Pyramid
Siemens, the German electronics company, is in talks to buy Pyramid Technology, a Californian manufacturer of computer servers, in a cash deal worth $207m, or $15 a share. Page 20

Unitel to face restructuring plans
Shareholders of Toronto-based Unitel Communications are due to unveil plans today to restructure the ailing telecommunications company, which has failed to capitalise on its pioneering role. Page 20

Italian investors win postal vote right
Recently privatised Italian companies will be obliged to introduce postal voting at shareholder assemblies, in a move to strengthen minority shareholders' rights. Page 18

Schimmelbusch and bank clash
One of Germany's biggest corporate debacles erupted into a verbal battle as Deutsche Bank defended one of its executives against an attack from Mr Heinz Schimmelbusch, former head of Metallgesellschaft, the German metals group which nearly collapsed a year ago. Page 18

BK Vision files challenge to UBS plan
BK Vision, the largest shareholder in Union Bank of Switzerland, has filed its legal challenge in Zurich's commercial court against the bank's plan to unify its share structure. Page 18

Profits of gold mines in GFSA group fall
The gold mines in the Gold Fields of South Africa group have recorded a drop in after-tax profit for the quarter ended December, to R391.8m ($110m) from R447.9m. Page 21

India's biggest share offering postponed
The state-owned Industrial Development Bank of India (IDBI) said it had decided to postpone its planned Rs21.84bn ($696.3m) public equity offering. Page 21

Unigate buys two French dairies
Unigate, the UK foods and distribution group, has entered the continental European dairy market with the purchase of two French makers of desserts and spreads for £65.1m ($101.5m) Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
AEG	152.5	+	3.5	Immobanque	800	+	34
Degussa	450	+	9.5	**Falls**			
Industr Werke	353	+	6.5	BNP	244	-	6.7
Viag	483	+	10	Bancaire Comp	498.1	-	13.9
Falls				Gen des Eaux	495	-	22
Douglas	424	-	7	Elf Aquitaine	387	-	8.4
Heidelb Zem	1180	-	28.5	Fonc Lyonnaise	701	-	32
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Falls**			
Coastal Health	24½	+	1⅞	Fujita Kanko	2050	-	110
Pet Inc	25¾	+	5½	Hazama Corp	405	-	12
Falls				Kawasaki Steel	398	-	12
Bush Inds	19¼	-	1⅝	M'bishi Plastics	438	-	16
Health Sys	29½	-	3¾	Nihon Parker	640	-	37
Quality	4⅛	-	2⅛	Nisshin Steel	472	-	22
Saatchi	5¾	-	1				

New York prices at 12:30.

LONDON (Pence)							
Rises				British Land	357	-	10
Barr (AG)	385	+	11	Cable & Wire	367½	-	8½
Benson Group	12½	+	2	Grand Met	375xd	-	17½
Boosoco	277	+	8	NatWest Bank	485	-	11
Court Cavendish	248	+	8	Reed Int	779	-	15
Glaxo	688	+	15	Saatchi	124	-	16
Hambros	252	+	12	Simon Eng	79	-	7
Racer Systems	88	+	8	TI Group	357	-	14
Scottish Radio	558	+	13	TSB	232	-	5
Trace Computers	48	+	5	Waverley Mng	110	-	5
Falls							
Barclays	595	-	13				

IBM shake-up eases out two 'rising stars'

By Louise Kehoe in San Francisco

Mr Lou Gerstner, chairman and chief executive of International Business Machines, yesterday announced broad organisational changes and a shake-up in the top management ranks, including the resignation of two of the computer company's best-known executives.

Mr Bob LaBant, 50, senior vice-president in charge of IBM's North American operations, and Mrs Ellen Hancock, 51, senior vice-president in charge of the company's $11bn Networking Division have both retired, the company said.

Both were offered new jobs within IBM but declined to accept the positions, which would have been seen as demotions, IBM insiders said.

Mr LaBant and Mrs Hancock were both members of IBM's corporate executive committee, established by Mr Gerstner when he joined IBM 18 months ago. Mr LaBant had been put in charge of "re-engineering" IBM's worldwide sales operations, while Mrs Hancock was in charge of a company-wide effort to streamline software development and boost software sales.

But tha two executives, who had long been regarded as "rising stars", apparently failed to find favour with Mr Gerstner. Both have been replaced as part of his latest move to boost IBM's competitiveness.

Mr Gerstner announced the formation of a new IBM software group, which will take on responsibility for development and marketing of a large portion of IBM's software products including database software, networking software and OS/2, IBM's personal computer operating system software. Previously, these software products were managed by separate parts of the company.

The new unified software group will enable IBM to co-ordinate its software strategies better and focus software marketing and distribution efforts, Mr Gerstner said. The new group is to be headed by Mr John Thompson, senior vice-president, currently in charge of IBM's personal computers software. Mr Gerstner also abolished IBM's World Trade organisation, which had been responsible for IBM's sales and marketing outside North America. Mr Ned Lautenbach, previously bead of World Trade, gets the new position of senior vice-president in charge of worldwide sales and distribution. "We will eliminate the name and much of the formal structure associated wlth the term 'World Trade'", Mr Gerstner said. "It is obviously confusing and, in fact, incorrect to have a unit called World Trade that excludes North America."

Mr Gerstner also formed a new hardware group that will include many of IBM's leading products including mid-range computers, workstations and mainframe computers. This "server" group, will be headed by Mr Nick Donofrio, who was previously in charge of IBM's mainframe computer division.

As Lord Sheppard takes to the streets of Old El Paso, **Roderick Oram** reviews GrandMet's record

An expensive Pet may need housetraining

When Grand Metropolitan paid $5.75bn for Pillsbury six years ago, "some of us thought it qualified for life-long membership of the local insane asylum", a New York analyst recalled yesterday as the UK group launched its second large foray into American food.

A grand old name in bakery products and the Green Giant vegetable brand with a troubled divarsification into the Burger King fast food chain, Pillsbury desperately needed a radical restructuring.

GrandMet spent the next four years knocking it into shape, selling $1.2bn of commodity and peripheral businesses and overhauling management and manufacturing.

Only over the past two years has the investment paid off, with Pillsbury generating some $1.1bn of free cashflow. Thanks to the turnround, GrandMet has been able to claim with some credibility that it is a tightly focused global distilled drinks and food group.

GrandMet had since been casting around for another food acquisition to broaden Pillsbury's product range and to push more volume through its revamped infrastructure. "Pillsbury could never stand still," one London analyst said yesterday. "Once they'd sorted the mess out, they had to become a bigger and broader food company."

With yesterday's £1.7bn bid for Pet, a US foods group, GrandMet "are buying their way into some relatively ritzy food categories and some useful add-ons to existing lines such as breakfast foods".

Like Pillsbury, Pet has had a long and at times difficult history. Founded in 1885, it was bought in 1978 by IC Industries, a conglomerate which grew out of the Illinois Central railroad, and floated off in 1991.

Since then it has restructured heavily under Mr Miles Marsh, its chairman and chief executive. "Marsh and his team have done a very good job of getting costs down but they decided the company was too small to succeed on its own," said Mr Les Pugh, Salomon Brothers food analyst.

The crunch came last year when Campbell Soup bought Pace, a competing Mexican foods company, for a high price of more than five times annual sales. The sum reflected the fact that Pace was solely in Mexican food, one of the fastest growing categories in the US.

Backed by Campbell's marketing, Pace is a formidable adversary. Its aggressive tactics before and after the acquisition were one reason why Pet's operating profits fell from $227.5m to $223.6m in tha year to last June and sales only edged ahead to $1.58bn, Mr David Nash, chairman of GrandMet's food sector, said.

GrandMet said Pet's attraction lies largely in the Old El Paso Mexican foods range and Progresso soups. It believes it can cut some costs and stimulate sales through a switch in marketing tactics. Whereas Pet concentrated on price promotions to retailers with indifferent success, Pillsbury plans promotion by, for example, advertising to consumers to build brand awareness. It also believes it can achieve more in international markets than Pet could on its own.

Analysts largely welcomed the deal on those grounds but raised a number of concerns. The biggest is whether Pet can maintain its profit margins. Other large food groups such as PepsiCo and Nabisco have jumped on the Mexican bandwagon and others are sure to follow. Moreover, in some markets such as the UK, Mexican food has already moved into supermarket own-label sector.

Nor is Pet as chronic a turnround candidate as was Pillsbury. Success will lie not in cutting costs but in clever marketing, product range and geographic extensions and an ability to fight some of the biggest US foods groups.

Some analysts are not yet convinced GrandMet has shown its skills in those areas. It has, for example, spent a lot of money establishing Haagen-Dazs ice cream in Europe.

"The jury is still out on whether GrandMet can run a food business on an organic basis," said one London analyst. Its achievements so far have come mostly from restructuring.

Moreover, Pet makes Pillsbury a weightier US food company while barely contributing to a tougher ambition: achieving critical mass in Europe to qualify GrandMet fully as a global foods group.

Lex, Page 16; Capital markets, Page 22

Feeling hot! hot! hot! the world's tastebuds warm to salsa sauce

Few people hungry for a taco in Mexico will reach for an Old El Paso "kit" of taco shells, sauce and seasonings. Convenience comes expensive and, like Chinese and Indian cuisine before it, Mexican food in the hands of gringos is evolving beyond its authentic roots.

Fajitas, the in-dish in recent years, were created in a Houston restaurant. Now sizzling meat wrapped in a tortilla has become a staple of Tex-Mex cuisine and the Old El Paso range that GrandMet is offering to buy.

Mexican food is an "invented food category", admits Mr John Speirs, senior vice-president of strategic brand development at GrandMet's Pillsbury food arm.

Yet Mexican food has been one of the fastest growing sectors of the US restaurant, fast food and grocery markets over the past 10 years. Europeans, particularly Swedes and Norwegians, already have a taste for it and GrandMet plans to push it further.

"It is an alternative way to eat everyday food like chicken and hamburger and it's fun – you eat with your hands and, like Chinese meals, it is very sociable. It's hard to eat an enchilada on your own," he says.

Moreover, Mexican dishes are easy to prepare and open to experiments. "At home in the frozen tundra of Minneapolis, we use salsa sauce with all kinds of foods like baked potatoes, broiled fish and stews."

Salsa sales are a quick way to track Mexican food in the US. Five years ago, less than 2 per cent of US households used salsa once a fortnight, by last year the rate had risen sevenfold.

Salsa now outsells tomato ketchup in the US. GrandMet executives salivate at the prospect of getting a bottle of salsa sauce on to every restaurant table across the US. Grocery sales of Mexican food grew 11 per cent a year between 1989-94 and totalled $1.1bn last year.

While US consumption of Mexican groceries is now $7.46 (£4.78) per head per year and set for further growth, opportunities lie in Europe, GrandMet says. Norwegian and Swedish consumption (at $2.94 and $2.22) is already ahead of Canada ($2) while the UK (68 cents) and the Netherlands (26 cents) are catching up. "But the French and Belgians (8 cents and 6 cents per head) are another question," says Mr Speirs. "They argue among themselves about pommes frites."

Viag and BT set to unveil German telecoms alliance

By Alan Cane in London and Michael Lindemann in Bonn

British Telecommunications, the UK's dominant telecoms operator, is expected to announce today a strategic alliance with a Munich-based utilities group which will strengthen its position in the German market. It will also serve as a warning to its rivals, notably AT&T of the US, Deutscha Telekom and France Telecom that it intends to be a force in mainland Europe.

Its partner is expected to be Viag, an industrial conglomerate with particular strengths in the energy business. Neither company was prepared to comment yesterday on the deal or its implications, but both have scheduled press conferences for the same time this morning.

Analysts believe the two companies plan to build a network to offer, in the first instance, data services to large corporate clients. Viag already owns a network through Bayernwerk, Germany's third largest utility, which it took over last year. Bayernwerk has a 4,000km glass fibre network over which corporate data services could be offered.

BT is already present in the German market in a small way through a subsidiary offering data services and intra-company communications, the most it can offer under existing German telecoms regulations.

The partnership with Viag is seen as a dash for pole position ahead of German deregulation. The European Commission has set 1998 as the formal date after which monopolies must be unscrambled, but analysts believe market pressures might force deregulation to coincide with the privatisation of Deutsche Telekom now set for 1996.

The alliance would mark another significant force in the German telecommunications market where RWE and PreusseElektra, the two largest utilities, are already jockeying for position. Telecommunications remains a relatively small part of Viag's activities which, apart from Bayernwerk, include chemicals, packaging and trading.

Viag teamed up last year with IBM and Allianz, the Munich-based insurer, to bid for one of only two data transmission licences in Germany. They lost to GfD, a consortium led by RWE, which is building a corporate network with Deutsche Bank and Mannesmann, the engineering group which runs the D2 mobile phone network.

$1.88bn bank bid in Portugal

By Peter Wise in Lisbon

Banco Comercial Português yesterday launched a second bid for Banco Português do Atlântico, Portugal's second-largest bank, offering Es300.3bn ($1.88bn) for 100 per cent four months after its offer of Es132bn for 40 per cent was vetoed by the government.

BCP has joined with Império, Portugal's top insurance company to offer Es2,730 a share compared with Es3,000 last year.

BCP's bid aims to take advantage of the government's expected approval of an agreement by Banco Español de Crédito, the Spanish bank, to sell its 50 per cent holding in Banco Totta e Açores, Portugal's third-ranked bank, to Mr António Champalimaud, a Portuguese industrialist.

The offensive by BCP, the fifth-largest bank, comes amid signs of discord among the controlling core of BPA shareholders, 13 Portuguese industrialists who own 29 per cent. They resisted the first bid but two members said yesterday they were now prepared to sell. But Sonae, the conglomerate which holds 7 per cent, said it would maintain its holding pending further consideration. The government owns 24 per cent of BPA, which has been privatised in stages since 1989.

Portuguese banks are playing for high stakes. Mr Champalimaud's acquisition of BTA would give him control of total assets of Es4,046bn and a market share of 17.6 per cent, according to 1993 figures. Portugal's biggest banking group is state-owned Caixa Geral de Depósitos, with a market share of 24.5 per cent. However, BCP control of BPA would create a group with assets of Es5,352.5bn and a market share of 23.3 per cent. The government rejected BCP's earlier bid partly because it said the size of the group would destabilise the financial system.

But bankers said the government favours approving Mr Champalimaud's purchase of BTA as this would remove the embarrassment of a Spanish bank owning more than the 25 per cent limit stipulated for foreign ownership of BTA.

It would then be difficult for the government to reject BCP's bid. The government also blocked BCP's earlier bid because it aimed for control of BPA by purchasing only 40 per cent. BCP is now bidding for 100 per cent.

Schimmelbusch clashes with Deutsche Bank

By Andrew Fisher in Frankfurt

One of Germany's biggest corporate debacles yesterday erupted into a verbal battle as Deutsche Bank defended one of its executives against an attack from Mr Heinz Schimmelbusch, former head of Metallgesellschaft, the German metals group which nearly collapsed a year ago after heavy US oil futures trading losses.

It described as "grotesque" a claim by Mr Schimmelbusch, sacked as Metallgesellschaft's chief executive in December 1993, that Mr Ronaldo Schmitz, a director of the bank, had brought about huge losses at the company (by unwinding the oil deals) to remove its management and take credit for a later recovery.

The bank also said Mr Schimmelbusch's allegations, made in an interview with Der Spiegel magazine, showed what sort of person he was. It said he had not taken account of the reality of the situation.

In a country where corporate battles and boardroom disputes occur behind closed doors, this open war of words is highly unusual. Deutsche Bank, however, said the claim against Mr Schmitz, who heads Metallgesellschaft's supervisory board, was so serious it had to be answered.

"The fact is that Metallgesellschaft could only be rescued from collapse by considerable financial help from the creditor banks," Deutsche bank said. It headed the rescue operation, which provided DM3.4bn ($2.2bn) last January to avert collapse.

Mr Schimmelbusch's onslaught came shortly before Metallgesellschaft, now headed by Mr Kajo Neukirchen, is due to hold talks with 40 creditor banks about putting up more money to keep the much-shrunken company alive. Some German and foreign banks are uneasy about Mr Neukirchen's plan for a capital write-down and subsequent injection of a further DM600m. These will be put to the annual meeting on March 23.

Mr Schimmelbusch's allegations centred on the controversial oil futures dealings which led to Metallgesellschaft's near-collapse. He claimed there was no need to unwind the US contracts, an argument supported by some US academics. Mr Schmitz and the present Metallgesellschaft management say there was no alternative if the company was to survive.

In a previous interview with Der Spiegel, Mr Schmitz said he had been misled by Mr Schimmelbusch as to the company's position. Mr Schimmelbusch denied this.

Italian investors win postal vote right

By Andrew Hill in Milan

Recently privatised Italian companies will be obliged to introduce postal voting at shareholder assemblies, in a move to strengthen minority shareholders' rights.

However, there are concerns that the benefits for small investors could be undermined by a clause allowing a majority of shareholders to club together to oppose postal voting.

The rules – drawn up by the Bank of Italy, Consob, the stock exchange watchdog, and Isvap, the insurance supervisor – come into effect before the end of the month, but will then have to be voted into the companies' statutes.

At the moment, the rules will be compulsory only for companies which have been the subject of public privatisation offers: Ina, the insurance company, and a trio of banks – Credito Italiano, Banca Commerciale Italiana, and Imi. Postal voting is already allowed for assemblies of co-operative companies and certain mutual funds.

Small shareholders hope postal voting will eventually be extended to all quoted companies, and expanded to allow a full British or US-style system of proxy voting at important meetings. That hope could be dashed, according to some legal experts, if large shareholders exercise their right to outlaw postal voting with a simple majority vote at a shareholder assembly.

The Italian government's privatisation programme – in particular, the public offer of shares in some of Italy's largest companies – has attracted criticism from small shareholders over the last year. They claim there is still a notable lack of shareholder democracy, and that assemblies are easily manipulated by groups of large investors.

In the cases of Credito Italiano and Banca Commerciale Italiana, critics allege that the banks are still firmly under the influence of corporate shareholders allied to Mediobanca, the Milan-based merchant bank.

Cold logic wins out at Warburg

Withdrawal from eurobonds follows big losses, writes John Gapper

Warburg's decision to pull out of the eurobond market, which the bank's founder Sir Siegmund Warburg created 30 years ago, is not a decision taken lightly by Lord Cairns, the bank's chief executive. In spite of its loss-making position, he admits the significance of ditching "the legacy of the past".

It is a big legacy, even for a business which was on track to lose about £40m ($63m) this year. The eurobond market – which with global bonds was worth about £400bn last year – was launched by Sir Siegmund with a $15m loan for Autostrade Italiane, which built roads in Italy, on July 1 1963.

Warburg did not maintain a strong position in the market, losing dominance to US firms as well as some other European banks such as Swiss Bank Corporation. Yet the operation had profound sentimental value, as Warburg's sole securities operation before integration in the mid-1980s.

However, Warburg's decision was based on cold commercial logic, expressed picturesquely by Lord Cairns. "We had reached the point where we had a pretty good shoe shop, but we were only selling shoelaces. They might have been very good, but they did not pay for the heat and the light," he said.

Warburg's problem was that the eurobond market – originally known as the eurodollar market, and created for issuers to avoid interest equalisation tax in the US – remains dominated by dollar issues. Some 60 per cent of issues are sold to US investors, with sterling accounting for 5 per cent.

This meant that Warburg operated at a disadvantage, one which it attempted to address by building up primary issuance of other European currency bonds. It hoped to justify the cost of its secondary distribution network in Europe by broadening the range of European bonds that it could sell.

As long as bond markets were healthy because of the gradual fall in yields, the bond strategy could be justified. But it ran into difficulties with the rout in European bond markets last year. It lost £7m in the first six months of the financial year, before costs of about £12.5m.

During the Big Bang deregulation of the City of London in 1986, it tried to create a fixed interest division by combining its eurobond arm with its new purchase, Mullens, a gilt-edged market-maker, and parts of Akroyd & Smithers, a jobber. Executives argue that the merger was unsuccessful.

Warburg responded by launching a review some six months ago under the former joint heads of its fixed interest and treasury division, Mr Peter Bass and Mr Peter Twachtmann. It put this on hold during merger talks with Morgan Stanley, but re-activated it when the talks collapsed.

The Morgan Stanley merger might have solved the problem because of the US firm's strength in dollar eurobonds. Although Warburg would probably have reduced its activities, it would have had a broader range of bonds to sell through the distribution side of its European operation.

Without the merger, matters were stark. Mr David Burnett, the new head of the division, confirmed the view of other Warburg executives that radical action was required. Although a shake-up was expected, the size of the job cuts and closure of activities will be a shock to many employees.

Warburg will stop its debt market-making in Belgian francs, Danish kroner, Dutch guilders, French francs, German marks, Italian lire, Japanese yen, Spanish pesetas and Swedish kronor, shedding 180 people at an estimated cost of about £5m, and releasing about £125m of group capital.

This will leave it with a small trading operation in US government bonds, and a market-making operation in UK government bonds. It will issue sterling bonds for UK companies, selling them to UK investors. If UK companies demand international distribution, this will be done through other banks.

Lord Cairns says the eurobond market has gradually become commoditised since its foundation, offering only thin margins and needing large volume. Yet Warburg came 21st among bookrunners of public euro and global bonds in 1994, with a 1.35 per cent share, according to Euromoney Bondware.

He argues that the eurobond market will be increasingly worthwhile only to US investment banks such as Goldman Sachs and Merrill Lynch, which have substantial access to US investors, or for commercial banks with balance sheets which hold European bonds as part of treasury operations.

Lord Cairns insists that Warburg can logically continue its strategy of building a global investment bank, even if it must now confine itself to corporate finance, equity and related derivatives. "I do not think we ever said we wanted to compete with everybody in all areas," he says.

The bank argues that, in spite of the fact that its securities roots lie in eurobonds, London's position as an international equities centre makes it easier to compete there. However, it faces a substantial task to persuade outsiders that its strategy remains intact, in spite of having to throw away a piece of its history.

BK Vision challenges UBS plan

By Ian Rodger in Zurich

BK Vision, the largest shareholder in Union Bank of Switzerland, has filed its legal challenge in Zurich's commercial court against the bank's plan to unify its share structure.

The plan, narrowly approved at a shareholders' meeting last November, would force conversion of registered shares into bearer shares without compensation for their premium voting power.

Mr Konrad Fischer, BK's lawyer, claimed it was invalid of UBS to change its share structure merely to reduce the voting power of a single large dissident shareholder.

It was also illegal not to have allowed the registered shareholders to vote separately on the proposal.

The court is expected to give UBS at least two months to respond to the complaints. Meanwhile, it will probably decide within a month whether to extend an injunction that prevents the bank from proceeding with the plan.

Unigate buys two French dairy groups

By Roderick Oram, Consumer Industries Editor

Unigate, the UK foods and distribution group, has entered the continental European dairy market with the purchase of two French makers of desserts and spreads for £65.1m ($101.5m).

The companies, Vedial and Prodipal, will help Unigate develop new markets and exports from France and the UK.

Other continental acquisitions will follow in the medium term, said Mr John Worby, Unigate's finance director.

The French companies have similar technology and products to Unigate's St Ivel brand and some co-operative ventures are likely. Some St Ivel chocolate desserts and mousses, for example, could be exported to France. Some "value line" yoghurts which are flavoured but lack fruit content could be imported into the UK.

The purchases will push up Unigate's gearing from more than 30 per cent to about 60 per cent, but the deals will be earnings enhancing in the financial year ending March, 1996, Mr Worby said.

Combined pre-tax profits for the companies were £6.4m in the year ended December 1993. A further £3.6m may be payable to the vendors, depending on the performance of the companies.

Vedial, jointly owned by Eridania Béghin-Say and Sodiaal, makes low-fat spreads under the St Hubert 41 and Le Fleurier brands. Its 1993 sales were FFr497m (£59.9m). The purchase is conditional on approval from regulatory and employee organisations.

The purchase of Prodipal was completed last week. It comprises two companies, Société Nouvelle d'Exploitation de la Laitière de Longueville (Snell) and Société Laitière de la Vallée de L'Ourcq (SLVO) owned by the same family.

SLVO makes yoghurts and desserts outside Paris and Snell makes rice desserts in Normandy. Most of Prodipal's FFr460m sales are in France.

Lex, Page 16

Turkey resumes sell-off plan

By John Barham in Ankara

Turkey is resuming its long-delayed privatisation efforts, with the government's announcement yesterday that it will sell majority stakes in two small state companies.

The government's Privatisation Administration yesterday called for bids for majority shares in Havaş, its airport services company, and Sümerbank, a small commercial bank. It is offering 60 per cent of both companies to strategic investors. The remaining 40 per cent will be sold to retail investors in stock market flotations in March.

The government has appointed Global Securities, an Istanbul investment bank, to advise on the sale of Havaş. It has not retained an adviser for the Sümerbank sale.

Previous attempts at privatisation have failed in the face of determined opposition in parliament. Havaş and Sümerbank have been listed for privatisation before, only to have their sales abruptly cancelled.

Large state companies, most of which are also big loss-makers, are not scheduled for privatisation yet, due to continuing political and legal challenges. These include steel companies, banks, chemical plants and electricity and telephone utilities.

Last year, the government of Prime Minister Tansu Çiller attempted to short-circuit opposition with a decree allowing privatisation without prior parliamentary approval. This was rejected by Turkey's constitutional court. Parliament finally approved a framework privatisation law late last year.

Analysts warn that progress is likely to remain slow, given the strength of opposition to privatisation and the weakness of Mrs Çiller's coalition government.

The government is attempting to defuse trade union opposition by turning the largest loss-makers over to workers' co-operatives.

Havas studies Hersant titles

Havas, the French media and leisure group, is interested in buying a number of titles from Hersant, the country's biggest newspaper publisher, writes Andrew Jack in Paris.

Mr Pierre Dauzier, chairman of Havas, said yesterday he was considering acquiring a series of papers in the Rhône-Alps region if they came up for sale.

"If tomorrow Hersant planned the sale of Progrès, Dauphiné Libéré, Courrier de Saône et Loire and Bien Public, we would be candidates to become complete operator and proprietor," he said in an interview in La Tribune.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Ontario Hydro's foreign forays on hold

Plans to bolster offshore investment arm depend on regulators, writes Bernard Simon

Ontario Hydro, North America's biggest power utility, thought it had a brilliant Idea in early 1993. As part of a top-to-toe shake-up, it decided to follow utilities in other industrial countries by setting up an offshore investment arm.

Ontario Hydro International (OHI), formed in August 1993, would use Hydro's expertise and financial clout to gain a toe-hold in the fast-growing economies of Asia and Latin America. It has since spent about C$100m (US$71m) on two equity investments:

- a one-third stake in Asia Power Group, a joint venture with Hydro-Quebec and Power Corporation, the Montreal-based conglomerate, which will seek electricity opportunities in Asia, especially China; and
- a 60 per cent stake, in partnership with Chilquinta, a Chilean power utility, in Edelsur, a power distributor serving suburbs of Lima, Peru.

Hydro remains confident that it is on the right track. It enjoys the support of domestic power equipment manufacturers, the investment community and consultants. However, Ontario's social democrat government, which owns the utility, has subjected Hydro's international arm to a degree of public scrutiny experienced by few of its counterparts elsewhere.

The Ontario Energy Board, a regulatory agency, was instructed last September to hold public hearings on OHI. The board must report, among other things, on "the balance between the positive benefits that can be generated from OHI's investment activities... the risks associated with such activities, and the methods by which such risks to the ratepayers may be minimised".

"We're not saying they shouldn't do it," says Mr Arthur Dickinson, executive director of the Association of Major Power Consumers, representing big resource and industrial companies which buy about half of Ontario Hydro's output. "It's how you finance that activity that's the key. They shouldn't expose ratepayers to the risk of that type of investment."

The association contends that the domestic economy would be better served if Hydro used its C$200m contribution towards OHI's capital to bring down domestic power rates. Steep rate increases in the late 1980s and early 1990s are often blamed for blunting the competitiveness of Ontario-based companies, such as Inco and Falconbridge, the western world's biggest nickel producers, and Dofasco and Stelco, both steelmakers. Mr Dickinson estimates that his members' electricity tariffs could be cut by about 2.5 per cent if Hydro passed on the C$200m to consumers.

Environmental groups also criticised OHI. Ms Patricia Adams, president of Energy Probe Research Foundation, testified that "by proposing to accept... the sovereign right of each nation to develop its resources, OHI is saying it will adopt the standards of the host governments, many of which have low standards or no regulatory and legal environment to enforce them".

Mr Ian London, OHI's chief executive, insists that support for the international investment drive outweighs the opposition, and that fears of the risks are exaggerated.

"We've never been on a shopping spree," he says. "My objective is to look for good projects."

Mr London notes that OHI's initial capital of C$200m is a fraction of Hydro's C$40bn in assets. International investments could also serve as a useful benchmark to measure – and improve – Hydro's performance in its home market, where it enjoys a monopoly.

Although OHI aims to bolster its investment fund to C$500m over tha next three to five years, the extra C$300m would come from the private sector. But Mr London says that "before one raises money, one has to demonstrate some sort of success".

Mr David Suratgar, a director with Morgan Grenfell, the UK merchant bank, told the OEB hearing that "it has never been a more propitious time for foreign, direct and debt investment in privately-owned utilities... Returns today are at levels designed to reflect the extra risks of foreign investment".

OHI is relying on Hydro's reputation as a skilled, reliable operator of one of the world's most complex power networks to open doors in Asia and Latin America. In its former incarnation as Hydro's new business ventures division, OHI carried out consultancy work in about 36 countries, mostly in the Third World.

However, the search for new investment opportunities is on hold pending the outcome of the energy board hearings, expected by the end of February. Mr London says the first priority after that is to set up the new investment fund.

It would come as a surprise if the board suggested that Ontario Hydro retreat altogether from its offshore forays. The question is whether Hydro, OHI and the provincial government can agree on and live with whatever conditions and constraints the board may propose.

Shareholders set to unveil Unitel restructuring plans

By Bernard Simon in Toronto

Shareholders of Toronto-based Unitel Communications are due to unveil plans today to restructure the ailing telecommunications company, which has failed to capitalise on its pioneering role in bringing competition to Canada's long-distance telephone market.

Unitel is 48 per cent owned by Canadian Pacific, the transport and energy conglomerate, and 29.5 per cent by Rogers Communications, Canada's biggest cable-TV operator.

AT&T, the US long-distance company, holds the remaining 22.5 per cent. It acquired the bulk of its stake when Unitel gained regulatory permission in 1992 to break the provincial phone companies' monopoly on long-distance calls.

AT&T has since parachuted several of its executives into Unitel's senior management.

The shareholders declined yesterday to give details of the restructuring. One said that negotiations, which also involve Unitel's banks, were in a state of flux and that an announcement may be delayed until later in the week. Local reports suggest, however, that Canadian Pacific will reduce its stake, and that all three shareholders will write down the value of their investment.

Unitel posted losses totalling C$309m (US$220.7m) in 1992 and 1993, and racked up a further C$184m loss in the first nine months of last year.

Its most notable breakthrough in the past three years has been the introduction of a high-volume, high-speed data transfer service for business users. It is understood to have a bigger market share than the consortium of provincial telephone companies. However, this success has been overshadowed by its inability to build market share in long-distance voice services.

According to Mr Dave Neil, a director of Transition Group, a Toronto-based consultancy, "the original view of how successful Unitel would be was wildly optimistic".

Unitel's problems are rooted in its earlier history as the dowdy telecommunications arm of Canada's two big railway companies, Canadian Pacific and Canadian National.

Its corporate culture has been slow to change, and relations between the three shareholders have been tense. Mr Neil said that Unitel has "spent an awful lot of time whining about regulations", instead of attacking the rivals in the marketplace.

Siemens in talks to buy Pyramid

By Tony Jackson in New York

Siemens, the German electronics company, is in talks to buy Pyramid Technology, a Californian manufacturer of computer servers, in a cash deal worth $207m, or $15 a share.

Pyramid said it had not agreed the terms, and warned that a deal was not guaranteed. The US group said that last Friday Siemens had asked permission to make an offer, as required under an existing agreement. Pyramid said it had granted permission "solely for the purpose of allowing the parties to engage in discussions concerning a negotiated transaction".

In July last year Siemens acquired 12.3 per cent of Pyramid at $8.625 a share, bringing its stake to 17.6 per cent and making it the largest shareholder. It also acquired the right to raise its stake to 24 per cent at $10 a share. At the same time Siemens Nixdorf, Siemens' computing subsidiary, licensed Pyramid's Unix system for massively parallel processing.

Pyramid, which had sales last year of $218m, makes high-performance servers for open computing systems, at the middle and top end of the market. Its financial performance has been uneven: it made a loss of 8 cents per share in its final quarter last year compared with a profit of 25 cents the year before. Pyramid's shares rose $1¼ to $14¼ in early trading yesterday.

Siemens Nixdorf is Europe's biggest computer manufacturer, with annual sales of $7.3bn and 39,000 employees. Siemens has been active in acquiring US companies, with US sales trebling to over $5bn in tha past decade.

NEWS DIGEST

Finnair to offer 12m new shares to investors

Finland's privatisation programme stepped up a gear yesterday when the board of Finnair, the national airline, decided to offer up to 12m new shares to domestic and international investors, writes Christopher Brown-Humes in Stockholm.

A further 2m shares in the airline are to be sold by Neste, the Finnish oil and petrochemicals group which is also planning a partial privatisation this year.

The state will not subscribe to the Finnair offer, although it intends to retain its majority ownership. Its holding could fall to 60.7 per cent from 71.5 per cent.

Proceeds from the issue, estimated at about FM500m ($105m), will be used to strengthen Finnair's balance sheet and help fund a FM1.7bn investment programme for new aircraft. Pricing will be fixed around January 20.

The airline's financial performance has improved strongly in the current fiscal year ending March 31, and it expects to pay an increased dividend, compared with last year's FM0.30 per share pay-out.

Namibia may use Australian technology

Ausmelt, the listed Australian industrial services group which was formed to market certain advanced pyrometallurgical techniques, said yesterday that it was talking to Namibian-based Tsumeb Corporation about the possible use of Ausmelt technology, writes Nikki Tait in Sydney. It said that Tsumeb, a subsidiary of Gold Fields of South Africa, was considering installing the technology at its lead smelter in mid-1995. Ausmelt added that negotiations were at a "late stage", but said that no contracts had yet been signed.

Taiwan to open OTC market to foreigners

Taiwan's newly-relaunched over-the-counter stock exchange will be open to foreigners once a computerised trading system, installed two weeks ago, is programmed to track foreign funds, writes Laura Tyson in Taipei.

Foreign brokers in Taipei expect to be allowed to buy shares in the 14 companies now listed on the six-year-old exchange in February or March.

The government is hoping to develop the lacklustre exchange and is encouraging smaller companies and new banks to apply for listing before attempting to list on the Taiwan Stock Exchange. Some 50 to 75 new listings are expected this year.

Liquidity on the exchange has historically been negligible, with just a few of the stocks listed changing hands in the average trading session. The new computerised system has not attracted investors because, unlike the main exchange, the OTC exchange operates on a full delivery basis and morgin trading is not allowed, brokers say.

But the listing of Taiwan's 16 new privately-owned banks should spark both institutional and retail buying interest, as they are growing rapidly and the banks listed on the main exchange trade at a relatively high price-earnings ratio of 45 to 50. The new banks will be offered at around 30 times earnings, one broker said.

Sidbec-Dosco to expand steel capacity by 40%

Sidbec-Dosco, the Quebec-based steelmaker now owned by Ispat of Indonesia, is raising annual steel capacity by 40 per cent to 1.8m tonnes this spring by re-starting its second direct reduced iron unit, writes Robert Gibbens in Montreal.

The programme, together with improvements to finishing operations, will cost about C$30m. Excess pre-reduced iron will be sold to Ispat steelmaking units in Trinidad and Mexico and on the open market.

The fast-growing Ispat now has annual sales of US$1.5bn and recently bought an 800,000 tonnes yearly rod mill in Germany. It also has several plants in India.

Ispat bought Sidbec-Dosco last summer for C$240m (US$171.2m) in cash, new equity and a loan repayment. The seller was the Quebec government. It is now profitable with steel prices ronning 15-20 per cent abova early 1994 and with operations at full capacity.

Mr Lakshmi Mittal, vice-chairman, has said Ispat will invest C$100m in the Canadian company including improvements to the hot mill, and will take the company public later.

Expansion at German mobile phone network

E-Plus, the smallest of Germany's three mobile phone networks, signed up just over 30,000 clients by the end of last year, the company said yesterday, writes Michael Lindemann in Bonn. By the end of this year it hopes to have around 200,000 clients.

The company, in which the German conglomerates Veba and Thyssen each have a 28.4 per cent stake, was launched last May covering mainly eastern Germany. In October it extended its network to the Ruhr region and other heavily populated areas of western Germany.

D1 and D2, the mobile phone networks run respectively by Deutsche Telakom and the engineering group Mannesmann, had around 850,000 clients each by the end of last year.

Around 1,600 of the 5,500 transmission stations which E-Plus plans are so far operational, and by the end of 1996 the company hopes to be able to offer a nationwide service. The E net has a higher capacity than the D nets and is also able to operate on smaller and lighter mobile phones which use less battery power.

India's biggest public share offering postponed

By Shiraz Sidhva in New Delhi and Conner Middelmann in London

The state-owned Industrial Development Bank of India (IDBI) said yesterday it had decided to postpone its planned Rs21.84bn ($696.3m) public equity offering, saying the Indian parliament had yet to ratify the IDBI Act, allowing for restructuring of the bank's capital.

The postponement of India's largest domestic equity offering, due to open on January 27, surprised stockbrokers. Indian newspapers announced the cancellation of the elaborate week-long road show barely a day before it was scheduled to begin.

Analysts, saying that there was nothing to prevent IDBI from going ahead with the issue in spite of parliament's failure to ratify the bill during last month's winter session, attributed the postponement to the bank's unwillingness to go public at a time when the market is weak.

Share prices have been falling due to political uncertainty, and brokers expect the market to remain dull over the next month.

Moreover, IDBI would have had to compete with at least four other large companies planning issues to raise an estimated Rs150bn from the Indian markets during the next three months.

These companies include two private-sector companies, Reliance Finance and Capital Trust and Essar Oil, and the government-owned Oil and Natural Gas Commission and Hindustan Petroleum Corporation.

Stockbrokers said these companies would benefit from the postponement of the IDBI issue, which had been eagerly awaited and was expected to do well. A recent survey by an independent market research organisation had shown the IDBI's issue, which aimed to reduce the government's holding to 75 per cent from 100 per cent, would be fully subscribed.

IDBI's decision to postpone the deal is prompting "a collective sigh of relief" among market participants, said Mr Jeff Chowdhry, fund manager at Foreign & Colonial Emerging Markets in London. He said the market has been depressed recently by fears of oversupply in the first quarter. "If some issues are delayed, that's good for the market."

IDBI's planned issue of 168m shares, priced at Rs130 each on a face value of Rs10, is the second to be postponed by the government in the past 12 months.

In May last year, the government postponed a $1bn euro-issue from Videsh Sancar Nigam Limited (VSNL), the state-owned overseas telecommunications company, and has yet to announce a new date for the issue.

The Indian government yesterday said it was inviting bids for stakes in six profit-making state-owned enterprises, including 5 per cent each in the Indian Oil Corporation, Videsh Sanchar Nigam Limited, the overseas telecommunications company, and Gas Authority of India, writes Shiraz Sidhva.

The government is also selling 10 per cent each of the India Tourism Development Corporation, which owns and operates hotels and tourism and travel services; Engineers India, a consultancy company; and Kudremukh Iron Ore Company.

This is the third round of disinvestment of public-sector companies undertaken by the government in the current financial year as part of its liberalisation programme initiated in July 1991.

Profits of gold mines in GFSA group fall

By Mark Suzman in Johannesburg

The gold mines in the Gold Fields of South Africa group have recorded a drop in after-tax profit for the quarter ended December, to R391.8m ($110m) from R447.9m. The fall, which was exacerbated by continued industrial unrest at some mines, reflected a lower average gold price received as well as a decline in overall gold production, largely due to a lower yield.

Overall, tons milled rose slightly to 3.35m from 3.32m but tha average yield dropped to 9.1g/tonne from 9.2g/tonne, bringing overall gold production down to 30,196kg from 30,612kg previously.

Working costs rose to R815.1m from R785.8m while working profit dropped to R515.5m from R588.5m, bnt net sundry revenue rose to R54.15m from R34m, mainly for accounting reasons. Tax rose slightly to R177.8m from R174.6m.

Mr Alan Munro, exective director, said thet the results were satisfactory given the slight decline in the gold price hut hit out at what he called "unacceptable behaviour" by workers at some mines, notably West Driefontein, which has seen severe unrest in recent weeks.

Once again, Kloof was the star performer of the group's individual mines, managing to keep profit at R158.43m, down from R193.77m, in spite of a steep increase in tax paid to R43.5m from R13.23m.

The group's otber large mine, Driefontein, saw after-tax profits drop to R226m from R241.6m, due largely to a long-expected drop in the high grade mined at East Driefontein, which fell to 10.9 g/tonne from 11.5g/tonne in the previous quarter.

However, smaller mines Deelkraal and Doornfontein turned in disappointing performances. Deelkraal saw gold produced drop to 1,910kg from 2,033kg, dne to a drop in ore milled to 337,000 tonnes from 357,000 tonnes. After-tax profit dropped to 11m from R14.4m.

Northam Platinum loss mounts

By Mark Suzman

Northam Platinum, the troubled Gold Fields of South Africa platinum mine, turned in another disappointing performance for the six months to December 1994, increasing its loss to R75.25m from R58.3m for the same period in 1993. The accumulated loss is now R255.48m ($71.8m).

The mine is next week due to go to shareholders for a further R500m in a rights issue.

In spite of higher prices for both platinum and palladium, sales revenue dropped to R109.7m from R118.3m due to fewer tons milled. There was a corresponding reduction in the production of refined metal, exacerbated by technical problems, as only 1,440kg of platinum was produced, down from 1,703kg.

At the same time, Northam managed to mine only 129,736 sq metres against 132,141 sq metres previously, and has revised its production target downward to 27,000 sq metres a month. However, the company says December saw record production and a slightly improved grade.

Sasol to spend R37m on new plant

By Mark Suzman

Sasol, the South African oil and petrochemicals producer, has announced plans to build a R37m methyl isobutyl ketone (MIBK) plant in Sasolburg, south of Johannesburg.

The new plant will be part of the company's R820m ($230m) renovation of its chemicals division, and Sasol hopes to complete design and production before January 1996.

It will have an annual capacity of 15,000 tonnes and plans to export 80 per cent of its output in a move Sasol hopes will rednce its vulnerability to fluctuations in the price of acetone. MIBK and acetone are solvents used in a wide-range of applications from paints to cosmetics.

Property slide hits Hong Kong

Philip Coggan looks at prospects for the colony's stock market, one of last year's worst performers

It is often the case with the world's smaller stock markets that the dog of one year turns out to be the star of the next.

Things are not working out so far this year for Hong Kong. Having been one of the world's worst performing stock markets in 1994, with a decline of more than 33 per cent, the Hang Seng index has dropped a further 8.1 per cent this year.

"Every conceivable aspect of bad news is being thrown at the market" says Ms Kathryn Langridge, head of emerging markets at UK fund management group Perpetual, who runs a unit trust for smaller Asian markets

The most important factor at the moment is the falling property market. Rising interest rates, imported from the US because of the colony's peg to the dollar, have pricked a speculative bubble whicb saw house prices rise by 30 per cent in the first quarter of 1994.

The commercial property market has also started to turn down, a subject of particular concern to the stock market since more than 60 per cent of Hoog Kong corporate earnings are derived from banking and property.

Property shares have fallen by 44 per cent since their peak in February 1994, while financial stocks have dropped 37 per cent over the same period. For example, shares in Hongkong Land, tbe blue-chip property group, are languishing at HK$13.90, compared with a 1994 high of HK$31.75.

With US rates set to rise further – probably after the next meeting of tbe Federal Reserve's open market committee on January 31 – "the property and finance sectors could have further to fall", according to Mr Angus Tulloch, a director of Edinburgh-based Stewart Ivory and manager of the New Pacific unit trust.

Higher US interest rates also pose a problem for Hong Kong in that tbey may persuade domestic US investors to withdraw money from mutual funds and reinvest in short-term deposits.

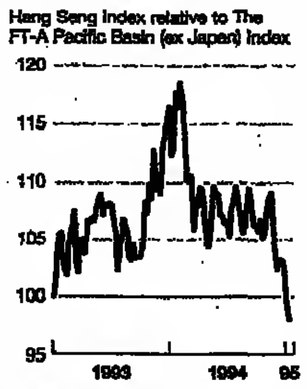
Whila Hong Kong is not strictly an emerging market in the definition of the International Finance Corporation, it is regarded as such by many small US investors. The recent problems in Mexico, which may bave caused concern among those investors who previously had ridden the emerging market bandwagon, may also cause heavy sales of Pacific funds. Managers forced to sell shares to meet redemptions might well pick on Hong Kong, since it is one of the most liquid markets in Asia.

Another short-term problem for Hong Kong is the shift in attitude towards China. While the Hong Kong market was seen in 1993 as the gateway to the mainland economy, it is now being perceived as the easy exit route.

The Chinese austerity programme, designed to check inflation, is seen as having an adverse impact on Hong Kong earnings in 1996. It may also be causing the repatriation of mainland funds whicb bad been speculating in the Hong Kong stock market.

Hong Kong

Hang Seng Index relative to The FT-A Pacific Basin (ex Japan) Index



Source: FT Graphite

Add fears of a Sino-US trade dispute and the rumours about the deteriorating bealth of Chinese leader Mr Deng Xiaoping, and it is hardly surprising that the Hong Kong market has been struggling.

In retrospect, the problems of 1994 and early 1995 can be seen as an inevitable reaction to the excessive optimism that built up in late 1993 about the prospects for the colony and China. At just over 7,500, the Hang Seng Index is back at its levels of autumn 1993, having climbed to 12,000 and back in the meantime.

Fund managers are concerned that the market slide may continue in the short term. Mr Peter Chesterfield, director of Far Eastern investment management at Abbey Life Investment Services, says "I still don't feel that the downswing is over. The market could lose another 400 to 500 points, taking the Hang Seng index below 7,000."

Compared with other Asian markets, Hong Kong looks cheap on fundamental valuations, although political worries mean that it normally stands at a discount to its neighbours. Nevertheless, with the market standing on a price-earnings ratio of 10.6 and a dividend yield of 3.3 per cent, according to Datastream, Hong Kong looks reasonably valued in terms of its own history.

Mr David Marchant, investment manager at Equitable Life Assurance, thinks the market will record a modest gain over the next 12 months. "We've been huying hut it's like trying to catch a falling knife," he says. But over a 10-15 year view, he thinks that the development of China, with its 1bn consumers, will be a significant positive factor for the Hong Kong stock market.

Ms Langridge says the market "will stay cheap until we see a significant shift in perceptions about property, China and US monetary policy. It could be approaching the end of the second quarter before it becomes a very attractive play once the peak in US interest rates has been reacbed. At some point this year, Hong Kong is going to be a very big buy."

Mucb depends on the activities of Mr Alan Greenspan and the Federal Reserve, But every dog has its day and the Hong Kong market could yet reward investors, if not until the second half of this year.

Citic acquires control of Portman Mining

By Nikki Tait in Sydney

China International Trust and Investment Corporation (Citic), the Chinese state-owned investment group, is to take a controlling interest in Perth-based Portman Mining, and use the listed company as a vehicle for resource and mining interests in the Asia-Pacific region.

The investment is being made by Citic Australia, one of Citic's largest overseas operations. It has agreed to subscribe for 45m shares in Portman at 84 cents each, for a total outlay of A$37.8m (US$29.1m). This will give it a 52.5 per cent stake in Portman. The subscription price is a premium to the market price for Portman shares, which stood at 69 cents ahead of the announcement, and rose 3 cents on the Citic news.

In addition, Citic Australia has agreed to procure a 10-year, A$30m loan – for no fees and at a "favourable" interest rate margin – if Portman decides to go ahead with a A$74m coking coal project in Queensland. Portman said yesterday it was finalising a feasibility study on the Burton Downs project, which could produce about 2m tonnes of coking coal annually.

Citic Australia – whicb already owns a stake in the Portland Aluminium smelter in Victoria, and Metro Meat, a big Australian meat processor – will have four nominees on the eight-strong Portman board, and effective control through the chairman's casting vote. The parent company, Citic, was established by the Chinese government in 1979, and now holds an international investment portfolio.

Portman already has links with the Chinese through the redevelopment of the Koolyanobbing iron ore deposit in Western Australia, where its joint venture partner is Anshan Iron and Steel Complex, China's largest steelmaker. The bulk of the mine's output goes to China.

INTERNATIONAL CAPITAL MARKETS

Concern over Mexico spreads to high-yield sector

By Graham Bowley in London and Lisa Bransten in New York

Spanisb and Italian government bond pricos dropped sharply yesterday, as concorn ovor weakness in Mexico and othor emerging markets was transferred to the high-yielding countries of Europe.

Investor confidence, already weakened by S&P's decision last week to cut Sweden's crodit rating, wae further undermined by rumours, later denied, that S&P was set to downgrade Italy.

"Investors are moving back to the core markets, from Latin America back to the US and from the peripheral markets in Europe to Germany and the UK," said Ms Alison Cottrell, of PaineWebber.

Spain was hardest hit, with concern over the domestic political situation weighing heavily on bond prices and sending the peseta close to new lows against the D-Mark.

The yield on 10-year Spanish government bonds moved through the 12 per cent level from 11.92 per cent to 12.11 per cent, and the yield spread against German bunds widened from 427 to 439 basis points.

GOVERNMENT BONDS

Italy suffered less of a sell-off but the spread against bunds nevertheless widened from 481 to 491 basis points during the day. Comments by the governor of the Bank of Italy that recent developments on inflation were worrying proved a drag on the market.

In Sweden, the yield spread on government bonds against bunds widened to 333 basis points from 312 during the day, largely on the back of the credit downgrading but also on leaks of spending cuts of SKr23bn in today's budget.

"This is in line with expectations but is not enough to reassure financial markets," said one dealer.

■ German government bonds fell, largely due to comments from Bundesbank officials, which served to underline the German authorities confidence in German growth prospects.

"This led to a strengthening of the D-Mark and a weaking of bond markets and a general widening of European spreads against Germany," said Mr Julian Callow, international economist at Kleinwort Benson.

Traders reported selling of the long-end of the market and buying of the short-end, reflecting the belief that the yield curve is poised to steepen with short yields to fall still further.

The March bund future on Liffe was down 0.25 at 88.35 in late trading.

■ UK government bonds moved lower, knocked by the weaker tone in Germany.

"The weakness of the pound on foreign exchanges was a contributing factor, feeding through into the bond market," said Mr Callow.

The spread against bunds widened to 117 basis points from 112 and the long gilt future was down $\frac{13}{16}$ at $100\frac{21}{32}$ in late trading.

■ The French government bond market held its own, maintaining a spread of 64 basis points over bunds.

■ US Treasuries gave up most of Friday's gains yesterday morning as traders waited for data due today to gauge the strength of the economy.

By midday, the 30-year government bond was down $\frac{13}{32}$ at $95\frac{1}{32}$ yielding 7.893 per cent. At the short end of the market, the two-year note was down $\frac{1}{32}$ at $99\frac{11}{32}$, yielding 7.656 per cent.

Many market analysts were left scratching their heads on Friday as the market made modest gains, in spite of data showing unemployment at 5.4 per cent – the lowest level in four years.

Some speculated that traders might have been betting the jobs figures would spur the Federal Reserve to tighten monetary policy further.

Yesterday's reversal, therefore, was a more expected development, although there was little new economic news and volume on the market was reported to be light.

Early in the morning, short-covering helped boost prices, which had fallen in European trading, but prices sank again by early afternoon.

Today, the Labor Department is to release its producer price index and many fear it will continue to show inflation-provoking pressures at intermediate levels.

S Africa boost for depositary receipts

By Richard Lapper

Demand from South African companies for capital is set to give new impetus to the market for depositary receipts, paper which represent underlying shares.

Mr Joseph Velli, executive vice-president at the Bank of New York, said 30 South African companies are considering the issue of depositary receipts this year.

Last year 22 South African companies issued depositary receipts, although only a handful raised fresh capital. Others are interested in broadening their shareholder base.

The bank also expects German companies to be active players in the market this year. Mr Velli said that three German companies – described as "household names" – are also about to issue depositary receipts, following three issues in 1994. Dresdner Bank raised $175m through a private placement under the SEC's rule 144a, while other companies issued level one ADRs, allowing them to trade their shares on the US market.

"German companies have now embraced the concept. We think the German market will open up in a meaningful way," said Mr Velli.

The Mexican financial crisis has had little effect on the depositary receipt market, even though there has been a slowdown in new issuance in the last three months. Although some institutions have sold DRs issued by Mexican companies, others have been buyers and on a "net-net" basis US investors have increased their exposure, although by less than 10 per cent.

Japan Development Bank sterling offer well received

By Martin Brice

The dormant 10-year sector of the eurosterling market was re-opened yesterday by Japan Development Bank, which brought a £250m deal via BZW and J.P. Morgan.

The bonds were brought at 30 basis points over the 8½ per cent gilt due in 2005 and held at that level when freed to trade, suggesting they were correctly priced in the view of the market.

JDB, which is guaranteed by the Japanese government, last tapped the market two years ago and the relative scarcity of the name may have added to the strong welcome from UK institutions.

Around 10 per cent of the bonds were sold in Asia, with between 30 per cent and 40 per cent sold to fund managers in Europe.

The sixth deal within seven days from GECC raised eyebrows as lead manager Goldman Sachs increased it twice from the $100m launch, first to $150m then to $200m. The five-year bonds have a two-year call option, and a coupon of 8⅝ per cent.

INTERNATIONAL BONDS

Morgan Stanley announced a $600m five-year convertible for Grand Metropolitan, which will help finance the UK hotel and leisure group's acquisition of Pet, the US food group. The bonds were given an A+ rating by Standard & Poor's.

Pricing will take place next week, and roadshows will be held tomorrow in London, on Thursday in Zurich, Geneva, Paris and Milan, and on Friday in Boston, New York, Minneapolis and Los Angeles.

KfW, the German reconstruction agency, brought a DM1bn offering via Deutsche Bank in Frankfurt, which reported strong demand from institutions in the UK, France, Germany, Asia and the Benelux region attracted by the five-year maturity.

The Province of Ontario, a frequent borrower in the euromarkets, raised DM500m with a five-year floating-rate note via CS-First Boston, which reported good demand from investors attracted by the currency and the coupon.

It was priced at Libor plus 8 basis points and widened to Libor plus 9 points, still within fees.

Sale of an issue by PepsiCo via Credito Italiano started the day well but slowed after comments in Basle by the governor of the Bank of Italy on inflation, combined with a rumoured downgrade of Italy by Standard & Poor's.

S&P later denied that any change in credit rating was planned.

Credito Italiano reported firm demand from investors attracted by the rarity of the very strong name. It said the coupon of 11⅜ per cent on the L150bn three-year issue, the highest in the three-year area for some time, was made possible by swap rates. Demand was strong in Italy, Switzerland and the Benelux region, it added.

The European Investment Bank brought a FFr1.5bn, 10-year deal via Paribas, which had a large pre-order for the bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Grand Metropolitan(a)§	600	(5½-6)#	100.00	Jan.2000	2.50	-	Morgan Stanley & Co.Intl.
GECC(b)	200	8.625	100.00R	Feb.2000	0.25R	+57(7¾%-99)	Goldman Sachs International
YEN							
Cregem Finance*‡	10bn	(c)	100.00	Jan.2000	undiscl.	-	Morgan Stanley & Co.Intl.
STERLING							
Japan Development Bank	250	9.125	99.943R	Jan.2005	0.325R	+30(8½%-05)	BZW/ JP Morgan Securities
D-MARKS							
KfW International Finance	1bn	7.50	100.05R	Jan.2000	0.25R	+15(7%-99)	Deutsche Bank
Province of Ontario‡	500	(d)	99.92R	Jan.2000	0.15R	-	CSFB-Effectenbank
Asfinag(e)	100	7.125	101.09	Dec.1999	2.25	-	Morgan Stanley Frankfurt
FRENCH FRANCS							
European Investment Bank	1.5bn	8.50	100.59R	Feb.2005	0.325R	+8(7½%-05)	Banque Paribas
ITALIAN LIRE							
PepsiCo	150bn	11.375	101.375	Feb.1998	1.375	-	Credito Italiano
GUILDERS							
ABN Amro Bank	300	7.625	99.65R	Feb.2000	0.275R	+16(6¼%-00)	ABN Amro Bank
LUXEMBOURG FRANCS							
SNCF	2bn	8.10	102.75	May.2001	1.875	-	Crédit Européen

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced next week. Conversion premium indicated at 13-17%. Callable after 3 yrs, subject to 120% hurdle, at par. b) Callable on 10/2/97 at par. c) ½% bid annual for 1st yr and 12-mth Libor +30bp thereafter. d) 3-mth Libor +0.0625%. e) Fungible with DM200m. Plus 40 days accrued.

S&P sees no recovery in European ratings

By Graham Bowley

There will be no rapid recovery in European credit ratings this year, according to Standard & Poor's, the US credit rating agency.

Although the region is recovering from recession, "the recovery has not been strong enough to halt the decline in ratings and no sudden upturn is anticipated in 1995," S&P said at a press conference on European credit trends.

"In spite of the positive growth environment in most European economies, European manufacturing and service industries still face long-term structural and competitive challenges," said Mr George Dallas, managing director of S&P's European rating activities.

"Ratings will not be raised simply because many industries are now enjoying a more favourable part of the economic cycle," he said.

Credit quality continued to fall in Europe in 1994. S&P downgraded 47 European borrowers and upgraded nine, compared with 48 downgrades and seven upgrades in 1993.

S&P later denied rumours, which had swept the international markets, that it was considering downgrading Italy.

"There is no basis in any claim that we have put Italy's rating under review," said Mr Dallas. He said Italy's rating remained AA with a stable outlook.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.600	09/04	91.3300	−0.620	10.44	10.08	10.33
Belgium		7.750	10/04	94.8300	−0.020	8.54	8.46	8.21
Canada *		9.000	12/04	98.2000	−0.450	9.28	9.08	9.05
Denmark		7.000	12/04	86.3200	−0.280	8.15	9.13	8.60
France	BTAN	8.000	05/98	100.3750	-	7.86	7.69	7.27
	OAT	7.500	04/05	94.0100	−0.060	8.38	8.23	7.95
Germany Bund		7.375	01/05	97.6400	−0.180	7.72	7.64	7.38
Italy		8.500	08/04	79.1600	−0.560	12.26†	12.11	11.72
Japan	No 118	4.800	06/99	103.6400	-	3.95	3.84	3.86
	No 164	4.100	12/03	96.1290	+0.120	4.72	4.59	4.58
Netherlands		7.250	10/04	95.9800	−0.170	7.85	7.80	7.52
Spain		10.000	02/05	87.1800	−0.640	12.05	11.75	11.10
UK Gilts		6.000	08/99	90-03	−8/32	8.65	8.65	8.42
		8.750	11/04	87-04	−12/32	8.72	8.71	8.45
		9.000	10/08	102-15	−15/32	8.69	8.67	8.44
US Treasury *		7.875	11/04	99-27	−7/32	7.90	7.79	7.80
		7.500	11/24	95-13	−11/32	7.90	7.84	7.88
ECU (French Govt)		6.000	04/04	82.7800	+0.050	8.78	8.64	8.30

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.78	Two year	7.67
Prime rate	8½	Two month	5.79	Three year	7.83
Broker loan rate	8½	Three month	5.95	Five year	7.91
Fed.funds	5¾	Six month	6.66	10-year	7.90
Fed.funds at intervention	-	One year	7.31	30-year	7.89

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.52	108.72	+0.08	110.00	109.44	110,400	135,188
Jun	108.84	108.96	+0.02	108.20	108.84	58	3,332
Sep	108.28	108.40	+0.02	108.58	108.28	306	1,022

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
109	-	1.60	1.88	0.38	0.84	1.63
110	0.51	0.98	-	0.88	1.34	-
111	0.16	0.56	0.94	-	1.86	-
112	0.05	0.31	-	-	-	-
113	0.02	0.15	0.46	-	-	-

Est. vol. total, Calls 25,811 Puts 13,977. Previous day's open int., Calls 165,893 Puts 146,969.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	88.54	88.44	-0.16	88.74	88.31	100470	184853
Jun	87.95	87.86	-0.15	88.10	87.95	216	1810

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
8800	0.70	1.00	0.90	1.21	0.26	0.56	1.04	1.35
8850	0.41	8.73	0.68	0.99	0.47	0.78	1.32	1.63
8900	0.21	0.51	0.50	0.80	0.77	1.07	1.64	1.94

Est. vol. total, Calls 8022 Puts 9029. Previous day's open int., Calls 158983 Puts 98523

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.70	97.56	-0.20	98.48	97.20	34728	45897
Jun	97.52	96.85	-0.30	97.62	87.50	35	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9750	1.53	2.26	1.48	2.81
9800	1.26	2.05	1.71	3.20
9850	1.02	1.85	1.97	3.50

Est. vol. total, Calls 1100 Puts 1421. Previous day's open int., Calls 18361 Puts 15870

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.00	82.45	-0.62	83.38	82.20	59,842	51,546

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-31	100-21	-0-14	101-06	100-12	46561	95582
Jun		100-25	-0-13			0	208

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
100	1-38	2-38	0-60	1-47
101	1-03	2-06	1-25	2-14
102	0-41	1-41	1-63	2-46

Est. vol. total, Calls 2924 Puts 1612. Previous day's open int., Calls 27153 Puts 36894

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	79.72	79.86	+0.06	80.10	79.72	3,363	6,880
Jun	-	79.62	+0.06	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-13	99-07	-0-06	99-14	99-03	525,307	348,444
Jun	99-00	98-27	-0-05	99-00	98-23	2,426	14,503
Sep	98-15	98-19	-0-09	98-18	98-15	20	1,505

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	107.80			107.90	107.75	1858	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jan 9	Day's change %	Fri Jan 6	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	118.76	−0.02	118.78	1.66	0.51
2 5-15 years (22)	139.17	−0.26	139.53	2.48	0.00
3 Over 15 years (8)	154.55	−0.42	155.21	2.02	1.16
4 Irredeemables (6)	175.24	−0.24	175.66	1.59	0.00
5 All stocks (60)	136.03	−0.21	136.31	2.14	0.37
Index-linked					
6 Up to 5 years (2)	187.33	+0.05	187.25	1.38	0.00
7 Over 5 years (11)	173.65	−0.01	173.66	0.87	0.00
8 All stocks (13)	174.17	-	174.10	0.82	0.00

Average gross redemption yields	Low coupon Jan 9	Low coupon Jan 6	Low coupon Yr. ago	Medium coupon Jan 9	Medium coupon Jan 6	Medium coupon Yr. ago	High coupon Jan 9	High coupon Jan 6	High coupon Yr. ago
5 yrs	8.71	8.67	5.86	8.71	8.66	5.89	8.91	8.87	6.99
15 yrs	8.58	8.54	6.37	8.72	8.67	6.50	8.93	8.90	6.72
20 yrs	8.54	8.50	6.49	8.72	8.67	6.56	8.87	8.83	6.74
Irred.†	8.62	8.60	6.64						

Index-linked	Inflation 5% Jan 9	Inflation 5% Jan 6	Inflation 5% Yr. ago	Inflation 10% Jan 9	Inflation 10% Jan 6	Inflation 10% Yr. ago
Up to 5 yrs	4.14	4.15		2.93	2.94	
Over 5 yrs	3.89	3.88		3.70	3.70	

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.
Corrected indices for 30/12/94 are as follows: UK Gilts 5-15 139.08; All Stocks 136.30 Index-Linked up to 5 yrs 187.25; Over 5 yrs 173.61; All Stocks 174.14; Deb & Loans 128.43 Average Gross Redemption Yield UK Gilts 5-15 Low 8.56; Medium 8.70; High 8.90; Index-Linked up to 5 yrs 5% 4.08; 10% 2.83; Over 5 yrs 5% 3.88; 10% 3.69.

FT FIXED INTEREST INDICES

	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3	Yr ago	High*	Low*
Govt. Secs. (UK)	90.79	90.86	90.81	90.80	90.77	108.57	107.04	88.54
Fixed Interest	109.23	109.32	109.35	109.35	109.45	132.24	233.87	108.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 6	Jan 5	Jan 4	Jan 3	Dec 30
Gilt Edged bargains	78.3	85.6	85.4	79.8	51.0
5-day average	73.2	68.0	61.8	52.1	37.2

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	87⅞	88⅛	−⅛	8.58
Alberta Province 7⅞ 98	1000	97⅞	98⅛		8.28
Austria 8½ 00	400	100⅞	101⅛	−⅛	8.28
Bank Ned Gemeenten 7 99	1000	95½	95¾	−⅛	8.19
Bank of Tokyo 8⅜ 96	100	100⅛	100½		8.21
[illegible]					
United Kingdom 7⅛ 97	5500	100⅛	100½		6.96
Volkswagen Intl Fin 7 00	1000	93¼	93⅝	+¼	8.13
World Bank 0 15	2000	20⅞	21¼	−1¼	7.77
World Bank 5⅞ 00	3000	87⅛	87½	−⅛	7.91
World Bank 8⅜ 00	1250	110	110½	+1⅛	6.44
SWISS FRANC STRAIGHTS					
[illegible]					
Abbey Natl Treasury 8 00 £	1000	91⅛	91⅞	−⅛	9.80
Alliance Leics 11⅜ 97 £	100	104⅞	105⅜		8.91
British Land 8⅞ 23 £	150	86⅞	86⅞	−½	10.36
Denmark 6⅛ 98 £	800	93¼	93½	−⅛	8.99
EIB 10 97 £	637	102½	102⅞		8.81
Halifax 10⅞ 97 £	100	103	103⅜		8.75
[illegible]					
YEN STRAIGHTS					
[illegible]					
OTHER STRAIGHTS					
[illegible]					
DEUTSCHE MARK STRAIGHTS					
[illegible]					
FLOATING RATE NOTES					
[illegible]					
CONVERTIBLE BONDS					
[illegible]					

[illegible]

COMPANY NEWS: UK

Northern Electric questions lack of rationale in offer document

Trafalgar to make £8m in bid

By David Wighton and Michael Smith

Trafalgar House stands to make almost £8m before expenses by bidding for Northern Electric whether or not its £1.2bn offer succeeds.

The offer document, published yesterday, reveals details of innovative derivatives contracts linked to electricity companies' share prices which Trafalgar entered into with Swiss Bank before the bid was announced.

In the document Trafalgar pledges to keep the headquarters of Northern Electric in Newcastle upon Tyne.

Trafalgar also called on Northern to convene "forthwith" an extraordinary meeting to discuss a motion to set aside an article of association limiting single shareholdings to 15 per cent of the capital.

Northern agreed provisionally to convene the meeting but dismissed Trafalgar's offer as wholly inadequate.

The campaign for the bid to be referred to the Monopolies Commission was joined yesterday by Mr Neville Trotter, Tory MP for Tynemouth. He said he was concerned about the long term benefits to customers and shareholders.

Northern today outlines its reasons for the bid to be referred. It is likely to question the suitability of Trafalgar because of the degree of influence exercised by Hongkong Land, owner of 26 per cent of Trafalgar.

Mr Rodney Leach, a director of Trafalgar and Hongkong Land, dismissed such arguments as a red herring, saying minority shareholders were prevented from abusing their position by City regulation.

Northern said the offer document contained limited disclosure on the derivatives contracts between Trafalgar and Swiss Bank.

However, it is understood that Trafalgar has already made £4m from the contracts and should make a total of about £8m when the final contracts are closed. The gains should offset most, if not all, of its bid expenses. It is the first time such contracts have been publicly disclosed in a bid.

Trafalgar entered into seven "contracts for differences" with Swiss Bank, all but two of which have been closed out.

The contracts related to a total of 3.35m shares in Northern Electric, together with 254,500 in South Wales Electricity, 307,700 in South Western Electricity, 296,850 in Manweb and 547,925 in London Electricity.

They provide for Swiss Bank to pay Trafalgar the difference between the market value of the shares when the contracts closed and the value agreed when they were struck. The Northern contracts were agreed at prices ranging from 808p to 865p, compared with yesterday's close of 974p.

If the share prices had fallen Trafalgar would have paid Swiss Bank the difference up to a total of £10.9m.

Trafalgar and the advisory side of Swiss Bank do not know how the derivatives arm of the bank, on the other side of the "Chinese wall", offset its risk.

Mr Brian Keelan, who heads Swiss Bank's Trafalgar team, said if all the contracts had been tied to Northern Electric's share price there would have been a danger that the derivatives arm would buy a large number of Northern Electric shares, alerting the market to a possible bid.

Last week it was revealed that Swiss Bank's market making arm had built up an 8.2 per cent stake in Yorkshire Electricity, a 3.46 per cent stake in Northern and smaller holdings in Southern Electric, Seeboard and London Electricity.

Sunsail rises 43% as it heads for market

By David Blackwell

Sunsail International, the sailing holidays operator with more than 650 yachts worldwide, lifted profits last year by 43 per cent, the pathfinder prospectus showed yesterday.

Pre-tax profits for the year to end-October rose from £1.28m to £1.83m on turnover ahead from £19.4m to £24.4m.

The company, which expects to be valued on flotation at about £20m, intends to make a placing with institutions to raise up to £5m of new money. It plans to use this to fund further expansion and repay £1m of the debt incurred in the 1992 management buy-out.

Mercury Development Capital, which holds more than half the shares, is expected to retain a stake of about 10 per cent. Mr Christopher Gordon, who founded the company in 1978, will be the single biggest shareholder, with about 15 per cent. The management team, including Mr Gordon, is expected to keep a holding of at least 25 per cent.

The MBO closely followed the collapse of Airbreak, the USM-quoted tour operator that acquired Sunsail in 1991. Mr Gordon, who had sold Sunsail for shares in Airbreak, led the MBO, buying the company back for £600,000, retaining debt of £1.5m and injecting a further £3m to allow trading to continue.

The company now operates in 18 countries from 19 bases and nine hotel sailing clubs. About 80,000 people sail with the company each year, and up to 80 per cent of bookings are repeats.

Impact day is expected to be February 10. Sponsor to the issue is Henry Cooke Corporate Finance.

Good summer behind 63% leap at AG Barr

By James Buxton, Scottish Correspondent

Good summer weather in the UK in 1994 helped AG Barr, the Glasgow-based soft drinks company which manufactures Irn-Bru and Tizer, record a 63 per cent increase in profits in the year to October 29, despite a highly competitive market.

Pre-tax profits rose from £4.1m to a record £6.7m. Turnover was unchanged at £87.9m.

The rise in summer demand in Scotland and the north of England, Barr's main markets, offset the effects of competition both from commodity products offered at low prices and the introduction by the big retail chains of highly-publicised American-style premium cola products, Mr Robin Barr, chairman, said.

Barr last year produced less drink for retailers' own label brands, refusing to accept the low margins on offer. Instead, it increased marketing support for its own brands, sales of which grew nearly 5 per cent.

From March this year Barr will take over from Bulmer the franchise to make Orangina under licence from Pernod Ricard. Mr Barr said this would add about £15m to turnover, but a contribution to profits is not expected until the following year.

The company, of which members of the immediate Barr family own about 20 per cent, has about 5 per cent of the UK soft drinks market.

Mr Barr said total turnover in the first two months of 1994-95 was marginally above the same period of the previous year. He warned that trading conditions remained fiercely competitive, and it was uncertain how the big cola brands would react to the premium colas in 1995.

Earnings emerged at 24.17p (15.48p) per share, and a final dividend of 5.8p is recommended, for a 7.8p (6.5p) total.

Barr's shares put on 11p yesterday to close at a high for 1994-95 of 386p.

Launch this month for NHP

By James Whittington

Nursing Home Properties, the UK's first property investment fund to specialise in the purchase and leaseback of purpose-built nursing homes, is due to be launched this month through a placing and open offer of ordinary shares. It hopes to raise between £20m and £30m.

A loan from National Westminster Bank will match the funds raised through the share issue.

Mr Richard Ellert, chief executive, said the company would provide badly-needed finance to the residential and nursing care market and would be modelled on the successful specialist US quoted companies known as REITs – Real Estate Investment Trusts.

"With the huge demand for nursing care, operators are desperately in need of fresh funds. They are either constantly coming back to do rights issues or increasing their gearing with loans. What we intend to do is separate the ownership and operating parts of the sector in much the same way as has been done in hotels," Mr Ellert said.

The nursing homes purchased by NHP would be leased back to operators for periods of at least 25 years.

NHP shares will be priced at 100p each and the company's broker, Collins Stewart, has forecast a dividend of more than 7 per cent for the first full year. Close Brothers Investment is sponsoring the issue.

M&G plans growth in personal pensions

By Norma Cohen, Investments Correspondent

M&G, the unit trust management company, intends to increase its share of the personal pensions market over the next five years and has altered the structure of its products so that prospective buyers can see charges clearly.

Mr Bill Vasilieff, head of product marketing and development, said that currently M&G's share of the personal pensions market was about 1 per cent. "We want to be a top-20 player," he said.

The personal pensions business has been dominated by the life insurance industry, currently under fire for giving poor advice to clients and failing to inform prospective customers about charges. New rules which took effect on January 1 now require charges to be disclosed.

M&G pension products, which are sold through independent financial advisers, allow for payment of flexible commissions to sales agents of up to 8 per cent of each year's contribution. The sum may be negotiated between the client and the sales agent.

Meanwhile, M&G yesterday released details of its executive share option scheme agreed last year, and disclosed details of other executive share options.

M&G came under fire last spring for agreeing a scheme which granted executives options to buy M&G shares at prevailing market prices and set no performance criteria under which they could be exercised.

The move provoked an outcry from shareholders who argued that the shares moved in line with equities markets, allowing executives to receive windfall gains without demonstrating they had improved the company's performance.

M&G's annual report shows that 10,739 options to buy M&G shares at 995p were issued last year. Yesterday, the shares closed down 1p at 975p. The options are exerciseable at end-December 1996.

Single premium side declines at Refuge

By Alison Smith

Refuge Group, the life insurer, reported a sharp fall in both regular and single premium new business for last year.

In contrast to the experience of much of the life sector, Refuge's single premium business suffered most, while its ordinary regular premium business held up relatively well.

Long-term single premium new business fell by 38 per cent from £70.8m to £44.1m. Ordinary regular premium new business dipped slightly to £14.6m (£15m). Sales of unit trusts rose by 57 per cent to £17m (£10.8m).

However, there was a steep drop in its industrial branch business, where premiums are collected in cash from customers' homes on a fortnightly or monthly basis. New business fell by 40 per cent to £10.6m (£17.7m), and the sector's importance is expected to decline further.

Mr John Cudworth, chief executive, said the group's single premium new business in 1994 had been particularly affected by its caution over taking on pension transfer cases. The sale of personal pensions was the subject of new guidance from City regulators last year.

Simon makes 'final' provision

By Tim Burt

Shares in Simon Engineering fell 7p to 79p yesterday after the debt-burdened group announced a further £5m provision to cover its long-running restructuring.

Mr Maurice Dixson, chief executive, said the provisions would cover bad debts and the cost of improving product quality, mainly at Access UK, its mobile gantry and platforms business. He also claimed it would be the final exceptional provision from the company, which brought in a new management team 18 months ago to oversee a rescue rights issue and aggressive disposal programme.

Analysts warned that year-end losses could now exceed £15m. "There are signs that the Simon businesses are not responding to treatment as quickly as first thought," said one. However, the company said the Access business had enjoyed strengthening orders in the US, while the performance of both the process engineering division and the storage division had improved.

Austrian buy for Anglo Irish Bank

By John Murray Brown in Dublin

Anglo Irish Bank Corporation, the Dublin-based bank, has acquired Royal Trust Bank of Austria for I£13m (£12.9m), in a move to improve its international deposit base.

Royal Trust, a subsidiary of Royal Bank of Canada, has cash deposits of about I£235m, all of which is placed on the interbank market.

The Vienna-based bank has some 6,000 small retail depositors spread over 19 countries. Anglo Irish said the bank has no borrowings and no risk assets.

The deal was financed from cash resources following a rights issue in 1994.

Mr Tiarnan O'Mahoney, Anglo Irish's treasury director, said it was the first time it had acquired a bank in order to purchase the deposits. However, the deal was "very much in keeping with our strategy to broaden and diversify our source of funding".

Rebels join board of Barr & Wallace Arnold

By James Whittington

Rebel shareholders at Barr & Wallace Arnold Trust have succeeded in joining the board following the family feud over the motor and leisure group.

Brothers Nicholas and Robert Barr were yesterday formally appointed chief executive and deputy executive chairman, responsible for the motor and leisure divisions respectively. They replace Mr John Parker, the former chief executive, and Mr Brian Small, formerly finance director.

The brothers now share the boardroom with their uncle, Mr Malcolm Barr, whom they had earlier asked to stand down as chairman. Mr Kerry Frith, a fellow rebel shareholder, was appointed a non-executive director.

Mr Malcolm Barr said the board would push ahead with proposals to enfranchise the non-voting A shares. It would also discuss demerging the two divisions, a central demand by the rebels.

Zeneca lifts Sugen stake

By Daniel Green

Zeneca has increased its stake in Sugen, a California biotechnology company, from 12.2 per cent to 20 per cent and committed itself to a five-year programme of collaboration and further investment.

Zeneca is paying $17.5m (£11.2m) and a series of annual and milestone payments.

Sugen is Zeneca's first, and so far only, large biotechnology investment. Its area of expertise is in studying the chemicals signals that take place within cells in the body.

The terms of the deal allow Sugen to invest in drug development at some stage in return for a share in profits from any drug that reaches the market. If it does not, its income will be in the form of a sales-related royalty.

NEWS DIGEST

French edges ahead to £1.1m

Thomas French & Sons, the manufacturer of curtain styling products and decorative home accessories, reported pretax profits slightly up from £1.05m to £1.1m for the year to October 1.

The outcome was achieved on turnover up from £14.6m to £15.3m and was helped by a lower interest charge of £238,000 (£257,000).

Earnings came out at 5.77p (4.67p) and the dividend for the year is held at 3.625p with a maintained 2.175p final.

Victaulic acquisition

Victaulic, the pipeline products maker, has acquired Kunstoffwerk Höhn, a German polythene pipe manufacturer, for DM5m (£2.1m) cash.

Höhn, part of the Hüls group, had estimated sales of DM34m for 1994 with a loss at the operating level.

Oxford Molecular

Oxford Molecular Group, which develops software for use in drug design, has responded to recent press speculation with the announcement that it is negotiating the acquisition of another US company.

The proposed purchase designs and develops software for computer-aided molecular design. The company will release more details in the next few weeks.

Oxford acquired IntelliGenetics, a US-based company which develops DNA and protein sequence analysis software, last August.

Western Selection

Western Selection, the investment finance company, had a net asset value per share of 22.59p at the end of the year to September 30. This figure, taking listed investments at market value, compared with 22.1p last time.

Net revenue was 10 per cent lower at £38,800 (£43,300). Earnings per share slipped to 0.26p (0.29p) but the final dividend is maintained at 0.25p.

BrightReasons

BrightReasons, the Pizzaland and Bella Pasta restaurants company which intends to seek a listing, reported operating profits of £6m for the year to September 24, against £3.5m. Turnover advanced from £83.3m to £76m.

The company said that current year trading had started well.

Coats agrees sale

Coats Viyella, the UK's largest textiles group, confirmed the disposal of its carpets division to Shaw Industries of the US.

The businesses – excluding Navan Carpets, the Axminster weaving plant in the Irish Republic, which is subject to separate discussions with a third party – are being transferred next week to Georgia-based Shaw for a consideration of £19m.

Macfarlane expands

Macfarlane Group (Clansman), the Glasgow-based packaging group, has acquired Dalewood Holdings, the self-adhesive and film products company, for £2.21m.

Consideration comprises £1.4m cash and 316,148 shares at 257p.

Savills up 60%

Pre-tax profits at Savills, the surveyor and estate agent, improved to £1.9m for the six months to October 31, compared with £1.19m last time.

The 60 per cent rise came on the back of turnover 23 per cent ahead to £14.3m (£17.6m).

Earnings per share rose 1p to 3.1p, and the interim dividend is unchanged at 0.75p.

T&N disposals

T&N, the engineering group, has raised a total of £50m through the sale of a number of non-core activities including Goetze Elastomere and other Goetze investments.

Royal Bank US buy

Citizens Financial Group, the US subsidiary of Royal Bank of Scotland, has completed the £90.8m acquisition of Massachusetts-based Quincy Savings Bank following regulatory consents and stockholder approval.

Greycoat sale

Greycoat, the property investment and development company, is continuing its withdrawal from the US with the sale of its 110,000 sq ft suburban office building in New Jersey for $8m (£5.1m) cash.

The building is being bought at above book value by Sunset Springs Associates, a New York real estate investment company.

Greycoat will use the proceeds to repay related bank debt of $5.4m.

Smith fire update

David S Smith (Holdings), the paper and packaging company, said yesterday that a fire at its Kemsley paper mill in Kent has affected less than 10 per cent of the waste paper stored at the site.

The fire, which broke out at midnight on Friday, was now under control, the company said, and normal business at the mill has been unaffected by "this relatively small loss of raw material".

CH Bailey

CH Bailey, which is engaged in engineering, ship repairing, leisure and business and financial management, incurred more than doubled pre-tax losses of £469,933 for the 28 weeks to October 7, against £206,359. Turnover rose from £1.89m to £1.97m.

Mr Christopher Bailey, chairman, said ship repairing suffered a difficult first four months, but had improved considerably since August.

Losses per share were 0.78p (0.34p).

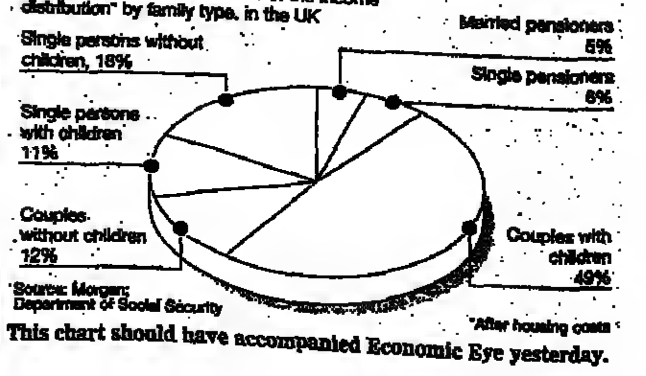
DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barr (AG)	fin	5.8	Apr 7	4.75	7.8	6.5
Ellis & Everard	int	2.7	Mar 24	2.45	-	7.6
French (Thomas)	fin	2.175	Mar 3	2.175	3.625	3.625
Merchants Trust	int	2.85★	Feb 24	2.85	-	11
Savills	int	0.75	Feb 24	0.75	-	2.25

Dividends shown pence per share net except where otherwise stated. ★ Third quarterly dividend.

Family characteristics of the poor

Individuals in the bottom 10% of the income distribution* by family type, in the UK



Source: Morgan; Department of Social Security

*After housing costs

This chart should have accompanied Economic Eye yesterday.

COMPANY NEWS: UK

Gardner talks to French group

By David Blackwell

Gardner Merchant, Europe's biggest contract caterer, is in talks that could lead to a £750m takeover by Sodexho, the French contract catering and services group listed on the Paris bourse.

Sodexho reported turnover of FFr11.2bn (£1.3bn) for 1993-94, and has a market capitalisation of FFr4.5bn.

Gardner Merchant, bought by its management from Forte for £402m at the end of 1992, took turnover through the £1bn barrier in 1993-94. Forte still has a 25 per cent stake.

Analysts suggested yesterday that the two groups would fit together well. Sodexho is thought to he particularly interested in Gardner's interests in the US, where it is the fifth biggest contract caterer after acquiring part of Morrison Restaurants' contract food division for £66m last June.

Gardner now operates in 40 states and takes 25 per cent of its turnover in the US.

Sodexho would make no comment yesterday. Gardner said only: "We have had a number of approaches as this is a very attractive company."

At the time of the interim results last October, Mr Garry Hawkes, Gardner chief executive, said the group was under no pressure to float. Its investors were happy with the returns and market conditions "were not very encouraging".

Responding to a recent report that it would float this summer, the group said that flotation was only one option.

Granada, the leisure and entertainment group, last summer offered to buy Gardner for about £700m. It is not thought likely to be tempted to offer a higher price.

ICI buys acrylic sheet plant

By Jenny Luesby, Chemicals Correspondent

Imperial Chemical Industries has bought its first manufacturing operation in eastern Europe, to produce acrylic and polycarbonate sheet.

It is thought to have paid Kloeckner Psntatec of Germany less than £10m for the Nischwitz plant, near Leipzig.

"The business was purchased for a competitive price and potentially its annual turnover could rise to more than £30m in the next three years," said Mr Scott Davidson, chief executive of ICI Acrylics.

ICI has invested more than £500m in acrylics since 1990. It is now the world's largest producer of methyl methcrylate (MMA), a key component in the manufacture of acrylic resins and coatings, but has remained weak in the production of acrylic sheeting.

Expansion in polymer distribution with two purchases for £9.5m

Ellis & Everard advances 24%

Ellis & Everard, Britain's largest chemicals distributor, yesterday announced plans to double the size of its polymers business following a sharp increase in first half profits, writes Tim Burt.

Strong demand in the six months to October 31 helped lift pre-tax profits by 24 per cent to £10.5m (£8.5m) and encouraged the company to consider its first expansion into continental Europe since its lossmaking move into Spain four and a half years ago.

As part of that strategy, it has agreed to pay £9.5m cash for Horneman (Holland), the Dutch polymer distributor, and Horneman (UK), its London-based sister company.

Mr Peter Wood, chief executive, said the move reflected the group's confidence that it could further increase market share despite consumer resistance to rising raw material prices.

"Where we're selling to end users it's been very difficult," he said. "But we've been able to get price increases through to manufacturers and processors."

Those increases fuelled a 23 per cent rise in operating profits to £11.2m (£9.1m), on sales ahead from £211.5m to £242.9m

Earnings per share rose by 22 per cent, from 7.2p to 8.8p, while the interim dividend is raised by 10 per cent to 2.7p (2.45p).

Mr Wood said the increase was justified by the improved performances in Britain and the US, where profits grew to £6.6m (£5.5m) and $8.8m ($7.1m) respectively.

Acquisitions and capital investment in both those markets contributed to increased cesb outflow of £8.1m (£800,000). Net borrowings rose to £14.3m (£10.3m), equivalent to gearing of 19 per cent.

● **COMMENT**

Reassuring rather than spectacular, Ellis and Everard yesterday reiterated its "softly softly" approach to future prospects. Bnt with only modest gearing, it could justify a slightly bolder acquisition strategy if the right companies presented themselves. The problem is that sucb companies are relatively few and far between. So the group may in the future find itself relying increasingly on organic growth. Having weathered sharp price increases, however, its existing portfolio of companies are likely to mature nicely and full year profits sbould comfortably reach £20m. The shares – np 1p at 261p – are worth holding on to even on a forward multiple of 15.4, a 10 per cent premium to the market.

A safety first approach

The chemicals distributor has grown cautiously, says **Tim Burt**

The doormat outside the computer control room at HVC, Ellis & Everard's Cincinnati subsidiary, neatly sums up the group's strategy. Embossed with winning dice from a craps game, its reads simply: "Don't gamble with safety".

Following that advice, Britain's largest chemical distributor has adopted a safety first expansion strategy in both North America – its largest market – and Europe, where it announced the acquisition of two polymer distribution companies yesterday.

The latest deals underline the group's cautious approach, guided by its determination to huy only mature businesses with long-standing customers and local market domination. It has realised that ambition most successfully in the US, where it has acquired subsidiaries valued at $420m (£269m) and become the country's fifth largest distributor.

However, the group faces the common dilemma of distributors: profits depend on demand for products whose price is largely outside your control.

Ellis & Everard bas seen prices for bulk commodities rise sharply in the past year. Spot prices for caustic soda, the largest single product distributed by its US subsidiaries, have increased from $90 to more than $300 a tonne.

Across the range of chemicals supplied by tbe group, prices have risen by about 20 per cent, albeit from historic lows. Mr. James Skelton, president and general manager of HVC, claims it has been able to pass on the increases. "By investing in new equipment and facilities, we've been able to meet demand even at times of short supply."

HVC is typical of Ellis & Everard's US operations. Investment from the Bradford-based parent bas given the plant 22 new underground solvent tanks, improved storage facilities and environmental control equipment.

Some of that investment was forced on the company by increasingly stringent environmental regulations. Once in place, however, the company claims it is handling chemicals more efficiently, and widening its lead over undercapitalised rivals.

"A lot of companies won't be in this business in five years time because they cannot afford to comply with environmental regulations or the insurance," according to one executive.

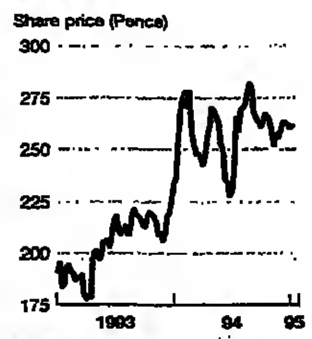
However, even if there is a shake-out among distributors in North America and Europe, competition among the remaining larger concerns is likely to intensify.

So while Ellis & Everard may have had some success in passing on price increases and improving market share, it remains to be seen whether it can maintain that position as commodity prices soften and rivals fight for customers.

"Some of the excess price increases will come off by the middle of the year, so they may have difficulty maintaining their own charges," according to one industry analyst. "That could be a danger signal for the shares."

Opportunities, meanwhile, to increase market share through acquisitions are shrinking, particularly in the US where the cost of compliance with environmental regulations bas deterred potential buyers.

Ellis & Everard



Source: FT Graphite

The challenge is to sustain the price increases already passed on while extending its distribution network across the UK and among its regionally-based North American subsidiaries. Its ability to do so will depend on when commodity prices start to fall, the rate at whicb consolidation in the industry throws up stronger rivals, and the relative scarcity of acquisition opportunities.

Those prospects have persuaded some analysts to suggest that the shares have "got ahead of themselves".

Nevertbeless, Mr Peter Wood, chief executive, is probably safe in believing the group is set fair for the foreseeable future. "It's difficult out there. But we're signing more sole supplier agreements and we reassure ourselves that capital investment requirements will force out the smaller players."

Flying Flowers makes acquisition

Flying Flowers is paying up to £2.4m to acquire Bellbourne, a supplier of flowers and pot plants to non-florist retailers, snch as snpermarkets, petrol station forecourts and motorway service areas.

The Jersey-based flowers-by-post group has paid an initial £500,000 cash for Bellbourne, which trades as Bunches and Fresh Flower Supplies. It made pre-tax profits of £223,000 on turnover of £7.9m in the year to September 30. The balance, payable in loan notes and new shares, is dependent on Bellbourne's 1995 and 1996 profits.

Flying Flowers also reported that it had raised £700,000 througb a placing of 907,974 shares – 5 per cent of its equity – at 76½p, to provide additional working capital.

The group said recently that its 1994 pre-tax profits were likely to exceed £1.75m (£1.1m).

Glaxo wins first OTC approval for Zantac

By Daniel Green

Glaxo shares rose 15p to 686p as it won its first approval for a non-prescription version of Zantac, tbe nlcer treatment that is the world's biggest selling drug.

The move is part of a growing trend towards offering an over-tbe-counter version of prescription medicines.

Governments prefer patients to pay for medicines directly ratber tban througb taxes, while drug companies want to maintain income from prodncts as their patent protection expires.

Zantac has sales wortb £2.4bn a year, bnt its patents are beginning to run out, with an important UK and US patent expiring in 1997.

The approval is unlikely to add mnch to Glaxo's revenues in the sbort term. The drug is the third to be approved in the UK in its class, the H2 antagonists. The others are Tagamet 100 from SmithKline Beecham, and Pepcid AC from Merck.

Zantac will be sold by Warner Wellcome, the OTC joint venture between Warner-Lambert and Wellcome.

Glaxo has also submitted Zantac for OTC approval in the US and other large markets, some of whicb have not yet approved an H2 antagonist. Zantac is already available OTC in some countries, such as Denmark.

Malaysian conglomerate buys Bloxwich

By Andrew Baxter

Bloxwich Engineering, one of the UK's largest privately-owned engineering companies, has heen acqnired by Mega First Corporation of Malaysia, ending 80 years of ownership by the Sqnire family.

The terms were not disclosed.

Bloxwich is the UK's largest mannfacturer of door closure systems for vehicles, and the world's biggest snpplier of container door gear. In 1994 turnover was more than £20m; there are 470 employees.

Mega First is a conglomerate with a wide range of prodncts including copper, cement and industrial ink and a workforce of 2,300.

Mr Ron Baker, managing director of Bloxwich's automotive division, said the two companies had known each other for eigbt years.

Bloxwich has invested more than £10.7m since 1989 as part of modernisation. Mr Baker said ownership by Mega First would enable it to advance its expansion plans.

Mega First has been keen to diversify into engineering.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.01.95: Pool purchase price £/MWh	Final Prices for Trading on 12.12.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.95	8.92	8.92
0100	28.10	10.09	13.31
0130	40.36	10.09	13.31
0200	40.36	10.09	13.31
0230	40.36	9.26	9.26
0300	40.36	9.09	9.09
0330	40.36	8.99	8.99
0400	28.27	8.92	8.92
0430	10.01	8.92	8.92
0500	10.09	8.86	8.86
0530	9.90	8.86	8.80
0600	9.90	8.88	8.88
0630	10.01	8.89	8.89
0700	30.27	10.08	10.08
0730	30.95	31.02	34.29
0800	33.86	30.02	33.25
0830	35.68	31.04	34.27
0900	38.06	30.68	34.10
0930	54.92	30.93	34.19
1000	90.39	31.82	35.09
1030	89.61	37.84	35.71
1100	38.56	31.87	35.15
1130	38.85	32.22	35.53
1200	55.83	48.69	60.05
1230	90.02	57.17	60.50
1300	89.39	57.16	60.48
1330	37.63	48.62	48.62
1400	37.03	46.65	49.97
1430	36.54	35.37	38.68
1500	36.77	36.34	36.65
1530	43.55	35.54	38.91
1600	101.80	46.80	53.67
1630	265.56	112.88	134.06
1700	434.05	176.25	204.41
1730	453.80	187.35	215.09
1800	332.02	137.79	158.14
1830	147.85	71.81	81.44
1900	72.92	47.81	53.24
1930	52.22	38.13	41.91
2000	43.51	34.10	37.40
2030	30.96	33.86	37.09
2100	30.85	33.82	37.04
2130	30.28	30.08	33.29
2200	29.77	33.81	37.02
2230	30.25	30.07	33.29
2300	25.70	29.74	32.86
2330	10.03	9.29	9.29
2400	10.01	8.99	8.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further [illegible] Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-486790 between 8:30am and 5:15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

Analysts expect further rises in base metals prices

Volatility is expected to stem from strong demand and investment fund activity, writes Kenneth Gooding

There will be some hair-raising moments in some of the London Metal Exchange's markets this year, analysts believe, with volatility stemming from strongly rising physical demand and the presence of investment funds in the markets. The analysts' underlying message, however, is that the continuing global economic recovery will ensure that all traded metal prices are higher on average this year than in 1994.

Mr Alec Gordon, commodities "guru" at the Economist Intelligence Unit, goes further than most of his colleagues by suggesting that nearly all of the metals traded on the LME will be in short supply this year. Prices will become more volatile, he says. "This will be good news for speculators but bad for producers and consumers, for whom volatility turns the serious business of commodity production into something of a gamble."

Other analysts' comments reflect the considerable nervousness about the intentions of the investment funds whose sudden and unexpected interest in commodities last year helped to produce spectacular price rises on the LME.

"At this stage of the economic cycle we ought to be getting excited about prospects [for base metals]," says Mr Michael Cook, chief economist at Outokumpu, the Finnish metals and mining group. "But there is need for caution. If the funds decide they have had enough of commodities and give up their positions in copper, there is a danger that people will look more closely at zinc and nickel stocks and we could see a solid downward move in prices.

ANALYSTS' FORECASTS FOR AVERAGE PRICES IN 1995
(US cents a pound for base metals, US dollars a troy ounce for precious metals)

	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver
Bain & Company	92.5	140	34	460	300	57	390	440	5.35
Billiton Metals	80	125	32	400	300	58	n/a	n/a	n/a
James Capel	90	120	29	400	290	55	410	440	5.50
Economist Intelligence Unit	80.5	130	31.5	343	278	52.3	n/a	n/a	n/a
First Marathon Securities	95	145	35	425	n/a	57	400	n/a	5.00
Hambros Equities	92	145	33	440	n/a	55	400	450	5.10
T. Hoare & Company	75	125	32	375	300	55	410	450	5.00
Kleinwort Benson Securities	85	125	30	400	n/a	50	390	430	5.00
Macquaries Equities	80	117.5	33.8	375	283.8	51.5	n/a	n/a	n/a
Merrill Lynch	85	125	30	400	255	50	385	n/a	5.35
Metal Bulletin Research	97.5	133	34	375	308	52	n/a	n/a	n/a
Metals & Minerals Research Services	87.5	115	30	375	300	43.5	385	400	5.10
Richardson Greenshields	80	125	25	340	n/a	n/a	n/a	n/a	n/a
Smith New Court	79	118	27	352	n/a	50	400	430	5.50
S.G. Warburg	80	120	29	398	300	52	395	445	5.40
Rudolf Wolff	77	125	31	382	298	54	n/a	n/a	n/a
1994 Actual spot average	67	104.8	24.8	287	248	45.3	384	405.1	5.28
1993 Actual spot average	51.7	86.8	18.4	240	248	43.8	359.8	374	4.31

"I don't think the funds are in the metals markets for the long term, certainly not in the volume they are now, not with interest rates rising," he says.

While base metals prices raced upwards in 1994 it must be remembered this was from a very low base – prices had fallen in real terms to their lowest-ever levels. Prices were recovering, rather than moving up to their high ground. This is giving the bulls plenty to roar about and some are even asking: *How high can base metals prices go?*

One way of answering this question is to look at what some metals achieved at the peaks in the previous boom at the end of the 1980s. Remember, then, that copper in December 1988 touched US$1.68 a pound ($3,702 a tonne). Earlier that year, in March, nickel shot up to $10.84 a pound ($23,891 a tonne), the highest price ever paid for a tonne of metal on the LME. This was followed in June 1988 by the peak for aluminium: $1.95 a pound ($4,298 a tonne). Zinc waited until March 1989 to reach its peak of 97 cents a pound ($2,138 a tonne).

No sensible analyst would dare to predict publicly that we will see these prices again in 1995. But a few privately suggest that copper could well go above $1.68 a pound in the first half, at least for a short time.

Among the big copper bulls is Hambros Securities, where Mr Chris Pearson says that copper consumption is being boosted by demand from South-east Asia because of huge investment in infrastructure projects. This will help reduce global copper stock levels this year from the present equivalent of five weeks of consumption to only three weeks. Mr Pearson does not believe the big increases in copper production capacity planned for the second half of 1995 will have a dramatic effect on the market. "These are *capacity* increases, not *supply* increases. It will take some time for supply to build up," he says. Hambros expects copper supply and demand to be about balanced in 1995 as a whole, with a supply deficit in the first half and a surplus in the second six months.

Mr Neil Buxton at Metal Bulletin Research, the biggest bull of aluminium in the accompanying list, points out that his forecast assumes, among other things, that the voluntary cuts made by the producers will hold until September. Supply will also be constrained by a slight fall in exports to the west from Russia but the huge Alusaf smelter in South Africa will start contributing some metal before the year is over. Nevertheless, MBR expects supply to advance by only 2.5 pr cent this year, while it sees demand growing by 4.8 per cent. This would produce a supply deficit of more than 1m tonnes for the year and take LME stocks down to well below 1m tonnes, Mr Buxton says.

A similarly favourable supply-demand situation exists for nickel, according to Mr Wiktor Bielski, nickel bull and analyst at Bain & Company, a Deutsche Bank subsidiary. He says stainless steel producers – by far the biggest users of nickel – plan to increase production by 25 per cent between 1994 and 1997 and nickel demand should outpace this because the producers intend to increase output of stainless with a high nickel content. On the supply side, producers are increasing output but, apart from two new mines opened by Western Mining in Australia, the rest of the expansions are incremental. Meanwhile, Norilsk in Russia, the world's biggest supplier can be expected to continue to suffer production problems – Norilsk admits its operations need about US$2bn of investment. With supply lagging demand, Mr Bielski predicts that the present level of nickel stocks, equivalent to 18 weeks of consumption, will fall to between six and seven weeks by the end of 1996.

Analysts suggest that the global economic background this year looks reasonable for all metals. Demand for metals in the past has followed industrial production in the OECD countries very closely, although, as Mr Pearson at Hambros points out, the South-east Asian tigers are becoming an increasingly important factor. Many analysts are looking for a healthy increase in OECD production this year of more than 3 per cent after one of 4.6 per cent in 1994.

However, sentiment, so important in the metals markets, may be unduly, and adversely, influenced by the slow-down in economic growth in the US that is expected to be a feature of the second half of 1995. Sentiment will also certainly be swayed by the attitude of the investment funds. Mr Jim Lennon at Macquarie Equities is not alone in suggesting that "when US growth starts to slow and the bond market starts to rally, this could be a signal for the funds to switch out of metals." However, he adds: "This seems unlikely before the second quarter of 1995".

As for precious metals, the bulls can only hope that something comes along to rekindle the interest of the funds in these markets. Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Company, suggests that US speculators, who played such a big part in the big 1993 gold price run-up, are likely to return to the gold market only "on local political grounds, if the administration's policies are seen to be running out of control, since gold thrives on incompetence and positively adores chaos".

Joint venturers to go ahead with $550m Indonesian smelter

By Kenneth Gooding, Mining Correspondent

Mitsubishi Materials Corporation of Japan and two US groups, Freeport McMoRan Copper & Gold and Fluor Daniel, are joining forces to build and operate a 200,000-tonnes-a-year copper smelter in Indonesia at a cost of US$550m.

The project was threatened last year by the financial collapse of Metallgesellschaft of Germany, which was leading a previous joint venture. Now Mitsubishi will take 70 per cent, Freeport 20 per cent and Fluor the rest.

The project already has approval by the foreign investment board of Indonesia but remains subject to various definitive agreements among the partners, confirmation of its feasibility, financing and certain Indonesian government approvals.

Each of the partners benefits from the venture.

● The smelter, to be sited at Gresik near the industrial port of Surabaya, East Java, will be the fourth to employ Mitsubishi's continuous copper smelting process, which is both low-cost and environment-friendly. Mitsubishi will not only manage and operate the smelter but also market all its output.

● Freeport, 68 per cent owned by Freeport McMoRan, will provide all the smelter's copper concentrate, estimated to be 600,000 tonnes a year. Freeport is also expanding its recently acquired Rio Tinto Minera smelter at Huelva, Spain and once the Gresik smelter is operating in the second half of 1988, the company will be providing about 1.1m tonnes of copper concentrates from its rapidly and massively-expanding copper-gold mines in Indonesia to these two smelters. This represents about 70 per cent of Freeport's expected output when its present expansion plans are completed.

● Fluor, which already is involved in several projects in Indonesia, including mine and mill expansions at the Freeport mines, will be responsible for engineering, procurement and and construction as project manager.

Mitsubishi said it expected the Gresik smelter to be financed by a mixture of non-recourse project loans and equity.

There are several other copper smelter projects in the offing, including two proposed new smelters in India, one in Iran and another in Saudi Arabia. Mr Peter Hollands of Bloomsbury Minerals Economics said there were too many smelter expansions and new smelter projects planned, although the recently-announced closure of Southern Copper's 80,000-tonnes-a-year Port Kembla smelter in Australia "opens a little space".

Kenyan tea 'rotting'

Tea is rotting in key growing areas west of Kenya's Rift Valley because of transport and crop management difficulties, a regional administrator said, reports Reuters from Nairobi.

Analysts said management problems in the vast Kisii area in Nyanza province would probably further reduce total yield for 1994, which was already expected to be down.

Mr Joseph Kaguthi, commissioner of Nyanza province's, said supplies were piling up on many smallholdings, and administrators and the state-run Kenya Tea Development Authority were trying to break the logjam.

"We want to sort out congestion," he said.

Assistant energy minister Mr Atebe Marita said KTDA vehicles used to collect tea leaf were old and often broke down.

MARKET REPORT

London cocoa futures prices fall back after German demand figure disappoints

London COCOA futures ended lower after failing to maintain Friday's bullish close.

As a weak New York market added to the downward pressure resulting from news of lower-than-expected fourth quarter German bean grindings the March contract fell £21 to at £991 a tonne.

West African arrivals were ahead of expectations and forecasts of rain in Brazil had eased crop worries, a trader said.

COFFEE futures ended steady but well off the day highs in thin volume

White SUGAR futures also fell amid signs that India had rejected all offers at buying tender for 100,000 tonnes.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2032-33	2059-60
Previous	2020-21	2047-8
High/low	2018	2062/2044
AM Official	2018-18.5	2045-46
Kerb close		2061-62
Open Int.	249,734	
Total daily turnover	45,980	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1940-45	1980-83
Previous	1923-28	1963-68
High/low		1985/1970
AM Official	1935-45	1975-85
Kerb close		1985-90
Open Int.	2,586	
Total daily turnover	886	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	663-64	679.5-80.0
Previous	654-55	670-71
High/low	662	680/673
AM Official	663-64	676-76.5
Kerb close		680-1
Open Int.	41,034	
Total daily turnover	7,658	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	9180-90	9346-50
Previous	9250-60	9390-400
High/low		9425/9290
AM Official	9135-40	9290-91
Kerb close		9310-15
Open Int.	58,396	
Total daily turnover	14,501	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6020-30	6110-20
Previous	6000-10	6100-05
High/low	5995/5990	6160/6085
AM Official	5990-6000	6075-85
Kerb close		6140-50
Open Int.	21,589	
Total daily turnover	3,954	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1146-47	1169-70
Previous	1140-41	1164-65
High/low	1145/1143	1176/1163
AM Official	1145-46	1166-67
Kerb close		1171-72
Open Int.	103,916	
Total daily turnover	15,115	

■ COPPER, grade A ($ per tonne)

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX

[illegible]

■ PALLADIUM NYMEX

[illegible]

■ SILVER COMEX

[illegible]

ENERGY

■ CRUDE OIL NYMEX

[illegible]

■ CRUDE OIL IPE

[illegible]

■ HEATING OIL NYMEX

[illegible]

■ GAS OIL IPE

[illegible]

■ NATURAL GAS NYMEX

[illegible]

■ UNLEADED GASOLINE NYMEX

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT

[illegible]

■ MAIZE CBT

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT

[illegible]

■ SOYABEAN OIL CBT

[illegible]

■ SOYABEAN MEAL CBT

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE

[illegible]

	Close	Prev
BFI	1994	1993

Tea
There was fairly good demand this week reports the Tea Broker's Association. The few coloury good liquoring Assams on offer sold well at around last levels but others lost 2 to 4 pence and sometimes more following quality. Plainest types remained firm. Bright East Africans met less competition and dropped 5 to 10 pence. Coloury mediums initially showed a dearer tendency but closed 4 to 6 pence lower. Mediums were irregular but on balance easier. Ceylons sold well at firm to dearer rates. Good competition. Brighter liquoring types were firm to dearer but others tended easier. Quotations: best available; 160p/kg, nom good; 128p/kg, good medium; 116p/kg, medium; 100p/kg, low medium; 80p. The highest price realised this week was 186p for an assam pf.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE

[illegible]

■ COCOA (ICCO)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE

[illegible]

■ COFFEE (ICO)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE

[illegible]

■ COTTON NYCE

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	100.00	-0.30	103.95	99.60	433	10
Mar	103.75	-7.16	108.75	103.50	16,217	23
May	108.15	-5.00	112.70	108.15	2,411	106
Jul	112.40	-5.00	116.30	113.80	1,040	7
Sep	115.40	-5.00	118.00	117.25	2,538	4
Nov	112.60	-5.00	112.60	112.60	1,806	-
Total					25,284	150

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 6	Jan 6	month ago	year ago
2257.9	2246.4	2178.3	1666.4

■ CRB Futures (Base: 1967=100)

Jan 6	Jan 6	month ago	year ago
235.24	235.84	228.51	226.79

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LIVE HOGS CME

[illegible]

■ PORK BELLIES CME

[illegible]

LONDON TRADED OPTIONS

[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

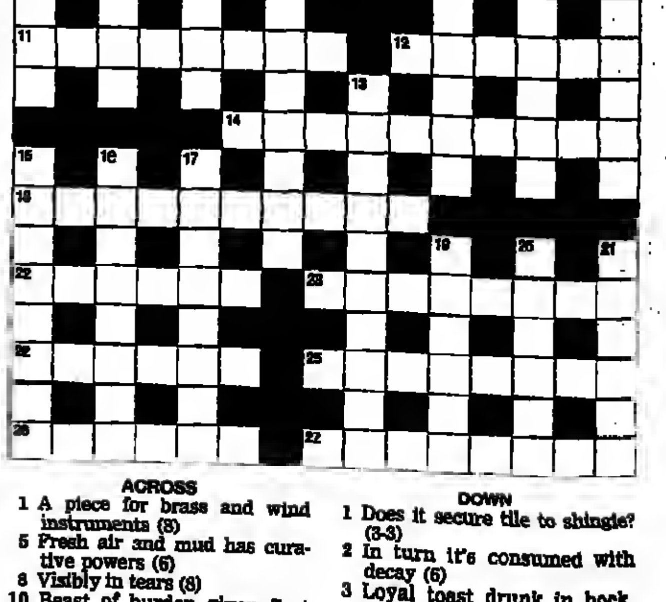
[illegible]

■ OTHER

[illegible]

CROSSWORD

No.8,656 Set by DANTE



ACROSS
1 A piece for brass and wind instruments (8)
5 Fresh air and mud has curative powers (6)
9 Visibly in tears (8)
10 Beast of burden given first aid (6)
11 Possibly relating to the whole (8)
12 A bowed old soldier (6)
14 Flags put out in honour of a brave man (10)
18 Minds leaving the country (5,5)
22 Pole position (6)
23 Pull beneath the waves (8)
24 Filled perhaps, or not filled! (3-3)
25 Stop and relax with a shower (8)
26 They're written in eastern and southern states (6)
27 Material not to be made light of (8)

DOWN
1 Does it secure tile to shingle? (3-3)
2 In turn it's consumed with decay (6)
3 Loyal toast drunk in bock, presumably (6)
4 About time Peter French found a lodging (4-1-5)
6 Iran says it's uneasy about an ancient neighbour (8)
7 Hibernian leads a machine operator a lively dance (5,3)
8 Travelling doctor to call (8)
13 Still waiting for a formal proposal? (10)
15 A case is essential up in Lincoln (8)
16 Tom's cries of derision (3-5)
17 Whole eternity blown to bits (8)
19 Kind of maggot (6)
20 Channel without water, we hear (6)
21 Their losses may get roundabout compensation (6)

Solution to Saturday's prize puzzle on Saturday January 21.
Solution to yesterday's prize puzzle on Monday January 23.

LONDON STOCK EXCHANGE

MARKET REPORT

Corporate features dominate sluggish market

By Terry Byland, UK Stock Markets Editor

The London market remained confident yesterday, although share prices began to slip back at the close when the US dollar weakened and Wall Street's favourable response to Friday's US employment data appeared to be running out of steam. But the focus in London was on a handful of important company statements. Leading market indices were depressed by a sharp fall in shares of Grand Metropolitan after it announced its £1.7bn purchase of Pet, the US branded foods group.

Trading volume was still disappointing but the market refused to be unsettled by the widely held perception that US rates will movs higher soon, perhaps at the end of this month after the Federal Reserve Open Market Committee meets. Late weakness in the US currency brought the US-Japan trade dispute back on to the agenda, but London traders were inclined to wait and see how US markets perform overnight.

The close of business saw the FT-SE 100-share Index finally down 9.2 at 3,055.8. Largely unaffected by the late falls in dollar stocks and in Grand Metropolitan shares, the decline in the wider-ranging FT-SE Mid 250 Index was held to only 2.5 for a closing reading of 3,477.1. Seaq, the market's electronic trading system, recorded 415.1m shares traded yesterday, compared with 514m on Friday.

Share prices opened steadily on the back of Wall Strest's firm response on Friday to the expected rise in US payroll numbers which underpinned the performance of the UK market ahead of the weekend.

The early fall in tha Footsie largely reflected a cautious lowering of quotations in Grand Metropolitan on news of its US deal, and even this was softened by the technical mark-down in GrandMet shares to allow for the dividend payment.

The timing of the deal cams as a surprise and the stock market was wary of its size. At around one fifth of GrandMet's market capitalisation, it focused attention on balance sheet, as well as on purely corporate trading, considerations.

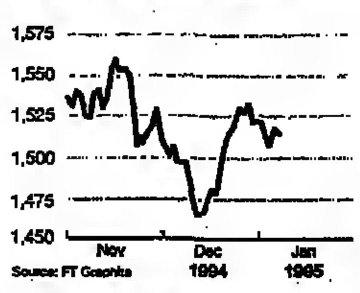
The board's meeting with City analysts failed to answer some of these concerns and the second half of the session saw the fall in GrandMet shares extended as some brokers known to be close watchers of the company downgraded profit estimates for this year. By the close, GrandMat shares were around 6 per cent off, upset also by dollar weakness.

The setback in GrandMet was balanced to some extent by a gain in BT after it was confirmed that both BT and Viag, of Germany, plan press conferences today. The investment press throughout Europe has been buzzing with suggestions that the two telecommunications groups will announce some form of joint corporate venture, probably aimed at competing with Deutsche Telekom, which will be privatised shortly. BT shares also benefited from investor switching into them from British Gas.

Among the domestic, interest rate-related stocks, both properties and stores remained out of favour, the latter again paying little heed to Friday's news that consumer borrowing, which had been cautious, had taken off ahead of the Christmas selling season. However, market specialists in the retail sector remain cautious of the outlook for stores sales in an environment in which interest rates are expected to continue rising this year. Turnover in the blue chip retail groups was modest, with the lack of buyers, rather than the appearance of sellers, causing falls in share prices.

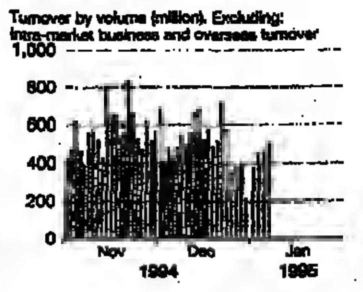
The pharmaceutical sector, which has been a prima mover of the market over the Christmas period, continued to recover yesterday in spite of its affinity to the fortunes of the US currency. Traders said that modest support from the US has helped Glaxo and Wellcome.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key indicators

Indices and ratios

FT-SE 100	3055.8	-9.2	FT Ordinary index	2348.0	-9.2
FT-SE Mid 250	3477.1	-2.5	FT-SE-A Non Fins p/e	17.87	(17.91)
FT-SE-A 350	1531.0	-3.8	FT-SE 100 Fut Dec	3071.0	-20.0
FT-SE-A All-Share	1515.59	-3.55	10 yr Gilt yield	8.60	(8.74)
FT-SE-A All-Share yield	4.02	(4.01	Long gilt/equity yld ratio:	2.21	(2.20)

Best performing sectors

1. Pharmaceuticals .... +1.8
2. Electronic & Elec .... +0.8
3. Transport .... +0.5
4. Telecommunications .... +0.4
5. Water .... +0.3

Worst performing sectors

1. Sprits, Wines & Cider .... -2.7
2. Gas Distribution .... -1.5
3. Banks, retail .... -1.2
4. Engineering, Vehicels .... -1.0
5. Retailers, General .... -0.8

US deal knocks GrandMet

Shares in Grand Metropolitan tumbled 26½ to 378p in heavy trading of 8.5m shares after the food and drinks giant took the market by surprise with an announcement of a £1.7bn acquisition of Pet, the US-based foods group.

Part of the slide was attributed to an 11p dividend payment. However, concerns about the timing of the deal (many suggested such a big deal should have been made at the begining of the group's accounting year) and its financing, hit sentiment in the stock.

NatWest Securities, the group's broker, downgraded current year profit estimates by £21m to £947m and suggested that the timing of the acquisition meant that it was likely to lead to a dilution in earnings per share in the first year of between 2 and 3 per cent. But it expects benefits in the following year and a significant contribution to earnings after that.

The market was also concerned about the £120m cost of integrating Pet, while others pointed out that the purchase would once again raise the level of gearing sharply.

BT/Gas switch

BT and British Gas topped the Footsie activity charts as traders switched out of Gas and into the telecoms giant in advance of today's press conference from BT and possible news of a strategic link-up in Germany. BT rose 5½ to 393p in 12m turnover, while Gas slipped 5 to 308p in 9.6m shares traded.

Clearly excited by the conference call, analysts speculated on the possibility of BT announcing either a licencing deal or a joint venture with a big German company. Utilities giant Viag was the name on most traders lips yesterday. They saw the move as providing BT with a presence in Germany ahead of full telecoms deregulation in 1998.

Best bets on initial outlays for what would represent BT's first move into a core European country ranged between £200m and £500m.

Saatchi tumbles

The fortunes of advertising group Saatchi & Saatchi took a turn for the worse yesterday as three senior executives resigned. Ths announcement cama as the market closed, but news that the acting chairman and the heads of the US and UK arms were quitting leaked out around midday. Consequently, the shares weakened 16 to 124p.

Mr Robert Jolliffe of Hoare Govett commented: "The resignations will be a serious blow to morale, client relations and the stability of the company."

Banks were hit by a press report that the Labour party plans to shake up the banking industry when it returns to governmsnt. The report revived concern that Labour might impose a windfall tax on ths banks' profits and gavs investors the opportunity to take profits ahead of the sector's reporting season, which begins with TSB on Thursday.

TSB, which is expected to announce 1994 profits of between £490m and £500m against £301m previously, relinquished 5 at 232p. Barclays shed 13 to 596p, National Westminstsr 11 to 485p and Lloyds 5 to 556p.

Merchant bank Hambros moved ahead 12 to 252p after announcing that it had settled a dispute with the Norwegian Guarantee Institute for £28m. Many analysts had expected the dispute, over the collapse of the Hilmar Reksten shipping empire, to cost around £160m.

Dairy group Unigate cheered the market with its £65.1m acquisition of Prodipal, a French yoghurt and desserts group. The shares moved forward 4 to 346p.

Mr Julian Hardwick at BZW said: "The acquisition is complementary to the group's UK businesses and should be earnings enhancing."

Speculation remains that Unigate will soon announce the sale of its 32 per cent stake in Nutricia, the Dutch food group, and analysts said such a move would help with payment for the deal.

A lacklustre statement from food manufacturing group Hillsdown left the shares trailing 4 at 179p.

A trading statement from Tarmac left the shares 2½ lower at 116½p with market-makers focusing on what the group had to say about house completions. These are going to fall short of 6,300 this year against half-time forecasts of 6,500.

Housing accounts for some 40 per cent of group operating earnings. The shares have underperformed the All Share index by 30 per cent over the past year and 8 per cent on a three-month view, and at least one analyst is close to the point where buy recommendations may be triggered.

Elsewhere among construction shares Redland added 1 to 468p following a profits upgrade from Hoare Govett while Norcros and Spring Ram were heavily traded.

A clutch of negative brokers' notes hit several stocks in the property sector. One, from James Capel, said the short-term outlook is uninspiring, with the prospect of interest rate increases, sporadic rental recovery, and weakening demand from UK institutions.

The agency broker advised investors to sell Land Securities, which fell 6 to 580p, British Land which relinquished 10 to 357p, and Hammerson a penny lower at 336p.

Willis Corroon improved 4 to 147p as NatWest Securities recommended the insurance broker at its morning meeting.

Pharmaceutical stocks gained ground with dealers citing US buying as the principal support. SmithKline Beecham received additional help from UBS, which reiterated its buy stance, and the shares advanced 8 to 472p. Zeneca, which is Lehman Brothers' key UK pharmaceutical recommendation, appreciated 8 to 878p. Glaxo moved up 15 to 686p and Wellcome 10 to 697p.

Burmah Castrol improved 3 to 836p with some suggestions creeping into the market that it might be poised to sell part of its speciality chemicals division.

Weak spots abounded among engineering counters with GKN falling 14 to 561p for a decline since the middle of last week of almost 5 per cent. Volume was modest at 1.6m shares and even less at TI Gronp which tumbled 16 to 357p following a sell recommendation from BZW. There was said to have been a certain amount of switching out of TI into Smiths Industries which put on 7 to 456p.

Simon Engineering fell 7 to 79p following news of extra reorganisation provisions.

Satellite broadcaster BSkyB emerged from its share stabilisation period on a steady note despite the concern from some analysts that the shares could fall sharply. There was support from a Morgan Stanley buy recommendation and tbs shares lifted 2 to 248p.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 22

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (27).

BUILDING & CNSTRN (2) Brandon Hire, Pochins, DISTRIBUTORS (1) Harlows 7pc Pf., DIVERSIFIED INDLS (2) Hewitt, Stratagem, ELECTRNC & ELECT EQUIP (4) Control Techniques, Kershaw (A), Nokia Corp Pf., Telspec, ENG. VEHICLES (2) Automotive Precision, ERF, EXTRACTIVE INDS (3) Anglo Amer. Coal, Kenor, Vogels, FOOD PRODUCERS (3) Barr (AG), Greencore, Robert Wiseman, INVESTMENT TRUSTS (3) Finsbury Smlr. Cos. Zero Pf., Old Mutual SA, Sumit, LEISURE & HOTELS (1) Northern Leis. Cv. Db. '96/01, MEDIA (1) Dorling Kindersley, OTHER FINANCIAL (1) BZW Endowment Fund, PHARMACEUTICALS (1) Smithkline Beecham Equity Units, RETAILERS, GENERAL (1) JJB Sports, SUPPORT SERVS (1) Real Time Control, WATER (1) South Staffs Water.

NEW LOWS (108).

GILTS (1) OTHER FIXED INTEREST (1) BANKS, MERCHANT (1) Joseph (L), BUILDING & CNSTRN (3) BB & EA, Countryside Props., Prowting, BLDG MATLS & MCHTS (5) Lafarge Coppee, Ramus, Tison, DISTRIBUTORS (4) Evans Halshaw, Gardiner, ISA Int'l., Perry, DIVERSIFIED INDLS (2) Hutch Whmp., Staveley Inds., ELECTRNC & ELECT EQUIP (1) Kenwood Appliances, ENGINEERING (4) ML, Roxspur, Wagon Ind'l., Do 7¼p Net Pf., EXTRACTIVE INDS (8) HEALTH CARE (1) Assoc. Nursing Servs., INVESTMENT TRUSTS (38) INVESTMENT COMPANIES (2) Inv. Tst. of Guernsey, Latin American Extra Yield, MEDIA (2) News Corp., Saatchi, OIL EXPLORATION & PROD (2) Coplex Res., Vanguard Ptrlm., OTHER FINANCIAL (4) Barry Birch & Noble, First Nat'l. Finance, Do 7pc Pf., Swire Pacific, PAPER, PACKG & PRINTG (2) Dolphin Pack, Serif, PROPERTY (3) Anglo St. James, HK Land, McKay Secs, RETAILERS, FOOD (1) Nurdin & Peacock, TRANSPORT (1) P & O Dfd., CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had a disappointing session, slipping lower in very thin trading and failing miserably to build on Friday's absorbing upward surge, writes Jeffrey Brown.

At the close of pit trading the FT-SE 100 March contract was at 3,071, a 20-point fall which contrasted starkly with Friday's near 50-point bounce. The premium to the cash market was roughly in line with fair value at 14 points.

Dealers complained of a high boredom factor, with contract numbers falling short of 8,000 and genuine two-way business very thin on the ground. There was no real weight of selling.

The March contract mostly drifted lower at the whim of the local, independent traders.

It touched a high for the session of 3,091 during the morning, and in tha afternoon the worst of the day of 3,064. The premium to cash equities worked up to 25 points at one stage, but mostly it was in neutral territory at just short of fair value.

Dealers were at a loss to explain the flatness of trading. Tha more obvious external influences auch as tha bond markets and Wall Street were not in noticeably harmful mood. Once again, the consensus of opinion came back to the general lack of direction in financial markets generally.

Options also had a dull session, with activity slipping to 24,491, down almost 10,000 from Friday. Call and put trading was fairly evenly matched and FT-SE and Euro FT-SE business accounted for just short of 12,000 lots. BT was the most active stock option at 2,642 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3082.0	3071.0	-20.0	3090.0	3060.0	8604	65562
Jun		3084.5	-20.0			0	3440
Sep		3107.0	-19.0			0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3495.0	-11.0			0	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3436) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	165	2½	117½	6	73½	12½	38	30	15	58	5	101½	1½	149	1	198
Feb	188	16	147	25	111½	39½	78½	58½	51½	82	31½	114	18½	153½	16	198
Mar	202½	32½	160½	46	128½	60	99½	79½	72	103	50½	132½	35	168	22	207
Apr	221½	51	186	65	154½	84½	126	104½	101	129½	80	159½	61½	190½	46	228
Jun	247	67½			184	103			128½	148			84½	205		

Calls 3,736 Puts 4,950

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P
Jan	188½	1½	138	3	93	8	54½	20	28	41	9	73½	1½	6½	1	165
Feb	205½	10	163½	17½	125	29	92	45	63½	66½	41	83½	25	127	14	166
Mar	217	23½	178½	34	148	48	111	65½	83½	87½	60½	114	42	145	28	180
Jun			232	77			171	113			119½	158½			78½	215
Sept†			272	98½			213	135½			162	189			119½	233½

Calls 1,671 Puts 1,582 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT-SE Actuaries Share Indices — The UK Series

	Jan 9	Day's chge%	Jan 6	Jan 5	Jan 4	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3055.8	-0.3	3065.0	3032.3	3051.8	3440.6	4.22	7.27	16.25	1.93	1167.43
FT-SE Mid 250	3477.1	-0.1	3479.6	3473.3	3482.1	3901.4	3.63	6.22	18.18	2.61	1311.03
FT-SE Mid 250 ex Inv Trusts	3486.9	....	3487.1	3479.0	3485.7	3896.0	3.76	0.72	17.88	2.62	1312.49
FT-SE-A 350	1531.0	-0.2	1534.8	1521.5	1529.9	1722.6	4.08	7.03	16.84	1.01	1198.94
FT-SE-A 350 Higher Yield	1559.0	-0.1	1561.8	1544.5	1553.2	1746.6	5.10	7.50	15.94	1.45	1001.91
FT-SE-A 350 Lower Yield	1502.7	-0.3	1507.9	1498.2	1506.2	1655.8	3.05	6.55	17.67	0.58	980.81
FT-SE SmallCap	1744.09	-0.1	1745.68	1745.58	1747.31	1930.79	3.31	6.30	18.44	0.81	1383.88
FT-SE SmallCap ex Inv Trusts	1720.46	....	1720.40	1718.31	1719.08	1884.79	3.51	7.05	17.57	0.88	1350.00
FT-SE-A ALL-SHARE	1515.59	-0.2	1519.14	1507.07	1514.80	1703.64	4.02	0.97	17.02	0.98	1204.98

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	418	335	-½
ASDA Group†	2,800	66¼	
Abbey National†	2,200	432½	-6
Albert Fisher	784	47	
Allied Domecq†	517	536	-6
Anglian Water	93	499	+2
Argos	70	345	
Argyll Group†	2,600	258	+2
Arjo Wiggins†	2,000	238	+3
Assoc. Brit. Foods†	155	571	-1
Assoc. Brit. Ports	216	274	+4

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	47	14
Other Fixed Interest	0	e	12
Mineral Extraction	24	89	82
General Manufacturers	120	107	401
Consumer Goods	53	30	101
Services	74	87	350
Utilities	[illegible]	[illegible]	[illegible]
Financials	51	114	196
Investment Trusts	26	125	310
Others	44	37	34
Totals	413	633	1517

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings January 6 — Expiry April 6
Last Dealings January 20 — Settlement April 20

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3	Yr ago	*High	*Low
Ordinary Share	2348.0	2357.2	2331.8	2347.3	2363.7	2614.9	2713.6	2240.0
Ord. div. yield	4.48	4.44	4.48	4.45	4.42	3.56	4.61	3.43
Earn. yld. % full	6.54	6.51	0.58	6.53	6.49	4.03	0.76	3.82
P/E ratio net	17.89	17.76	17.59	17.71	17.83	31.27	33.43	16.94
P/E ratio nil	17.14	17.20	17.04	17.15	17.27	28.99	30.80	16.67

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2358.4	2357.8	2353.7	2353.3	2352.3	2351.3	2346.7	2346.0	2348.7	2358.4	2344.4

	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3	Yr ago
SEAQ bargains	18,228	19,073	17,098	16,902	14,990	45,771
Equity turnover (£m)†	-	1148.0	1047.4	1033.0	751.5	1754.2
Equity bargains†	-	25,529	23,944	23,678	26,318	51,847
Shares traded (ml)†	-	503.1	454.8	450.6	372.3	766.3

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1994/95 High	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		98½	+½	117	98¼	12.1	10.4	–
9¾pc Non-Cum Pf		116¾	—	137½	107	49.5	10.5	–
Cater Allen	‡†N□	445xd	—	*680¼	443	146.1	7.9	9.2
Close Bros	‡N	223	—	*289½	203	212.3	4.2	10.1
Gerrard & Nat	‡†N□	480	—	516	395	229.8	8.2	13.8
Hambros	‡N□	252	+12	473	209	444.9	7.4	16.5
7½pc Cv Pf		107½	+3½	191	89½	138.5	0.7	–
Joseph (L)	‡†N	388	–10	443	385	20.9	5.5	11.6
King & Shaxson	‡N	142xd	—	176	105	77.9	10.9	10.2
Kleinwort Benson	‡†N□	441	–7	683	424	721.7	4.4	8.5
Rea Bros	‡†N□	56	—	70	53	28.0	1.8	18.5
Schroders	‡†N□	1438	–5	1674	1050	1,438	1.6	13.2
N/V	†N	1318	—	1466	1043	379.9	1.6	12.0
Singer & Fried	‡†N□	66	—	114	75	157.0	4.8	11.1
Union	‡†N□	92	—	*165	97	24.5	6.1	6.5
Warburg (SG)	‡N□	674	–16	1012	569	1,482	4.1	12.3
Wintrust	‡N	215	—	280	203	18.2	6.8	14.4

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		233	—	£34	£13½	2,152	2.2	24.2
Barlow	♣	£9¹¹⁄₁₆xd	+⅛	£9¾	£3⅞	1,132	1.8	20.0
Gold Flds Prop R		138xa	—	138	75	13.9	6.9	Φ
MK Props		85	—	88	85	3.42	14.3	-
SASOL	♥	531	-6	682	280	3,063	2.7	-
SA Brews	†	£16⅛	—	£18⅞	£18	4,180	2.0	23.2
Tiger Oats		788xd	+25	838	538	1,108	2.0	18.3
Tongaat-Hulett	†‡	704	—	*725	356¼	641.0	2.1	20.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
S Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2758. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا عند الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$14.93	15.67	-0.08	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs Fd	$15.24		+0.01	-
Wells Fargo B Shs Fd	$15.51		+0.01	-
Worldwide Limited				
NAV Nov 30	$83.14		-	-
Xiphias International Investment Fd Ltd				
Xiphias Global Growth	$8.93		-	-
Xiphias Int ECU 960	Ecu1.1992		-	-
Xiphias Int ECU 98	Ecu1.1945		-	-
Yamaichi Capital Management (Guernsey) Ltd				
Thai Inv Fund	$21.60		-	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(♣) - 1401 to 1700 hours
(♠) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
b - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
99 - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar drops on inflation and trade worries

The dollar fell against the yen and the D-Mark following assertive comments from US officials, *writes Motoko Rich.*

Analysts said the markets were also particularly anxious in advance of today's producer price index and tomorrow's consumer price index, which are expected to give a further indication of the timing and extent of the US Federal Reserve's next interest rate rise.

In London, the dollar ended at DM1.5539 against the D-Mark, from DM1.5575 and at Y100.8150 against the yen, from Y101.2950.

The D-Mark strengthened across the European crosses as political uncertainty in Spain and Italy drove the peseta and the lira to new lows against the German currency.

Against the D-Mark, the peseta finished at Pta86.17, from Pta85.8944, and the lira finished at L1049, from L1046.27.

■ Mr Walter Mondale, US ambassador to Japan, said the US was near an agreement with Japan on financial services and said auto industry trade talks would begin this month.

Clarifying the ground rules for Wednesday's summit between US President Bill Clinton and Japanese Prime Minister Tomiichi Murayama, Mr Mondale said: "If it becomes essential we have made it clear to the Japanese that we will use sanctions."

Analysts said such strong talk from a US official would usually be dollar supportive. In late trading, however, the dollar dropped more than two pfennigs against the D-Mark to DM1.5322 and temporarily breached the key psychological level of Y100 against the yen.

Observers said remarks from Mr Jeffrey Garten, under-secretary for international trade at the US Commerce department, that the US trade deficit for 1994 would be around $110bn, unsettled the market.

Mr Michael Burke, economist at Citibank, said investors were jittery in advance of this week'o inflation indicators.

He said: "The market starting to say 'where's the beef?' on inflation. Right now the markets are in a schizophrenic mood, not knowing whether the Fed is fighting a phantom or whether the Fed has not done enongh to fight real inflation."

The dollar was also affected by the Federal Reserve's purchase of pesos for dollars at the request of Banco de Mexico, although analysts said the volumes were very light.

Against the dollar, the Mexican peso closed at 5.15 pesos to the dollar, from 5.52 pesos previously.

Mr Avinash Persaud, currency strategist at JP Morgan, said: "It is a soaring D-Mark rather than a plummeting dollar." He said investors were fleeing the dollar for the safety of the D-Mark.

■ The D-Mark was benefitting from this safe haven factor against most of the European currencies.

As Italian president Mr Oscar Luigi Scalfaro began a meeting with outgoing prime minister Silvio Berlusconi, the lira was further hurt by rumoure that Standard & Poor's Corporation, the credit rating agency, would soon be downgrading the Italian debt rating.

After the close of London trading, the lira fell to L1053.75 against the D-Mark, from a previous low of L1050.10.

The peseta slipped further against the D-Mark as political worries in Spain rolled on. The peseta was trading at Pta86.58 against the D-Mark after the close of London trading.

The markets pushed the Swedish currency down against the D-Mark, in advance of today's announcement of Sweden's budget, with investors expecting fiscal retrenchment and a large deficit projection.

The Swedish krona closed in London at SKr4.841 against the D-Mark from SKr4.8307.

■ Sterling followed the dollar down against the D-Mark, but strengthened against the US currency.

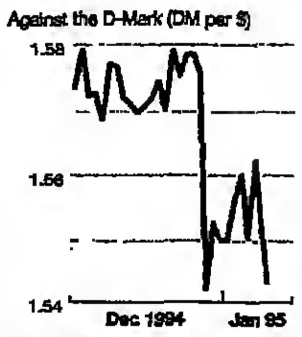
Against the D-Mark, it closed at DM2.4154 from DM2.4194. Against the dollar, it finished at $1.5545, from $1.5535.

After the close of European trading, the pound crept below DM2.40 against the D-Mark and traded above $1.56 against the US currency.

■ In its daily money market operations, the Bank of England provided liquidity of £85m at established rates after forecasting a shortage of £700m. It provided late assistance of £145m.

Dollar

Against the D-Mark (DM per $)



Source: FT Graphite

■ **Pound in New York**

Jan 9	—Latest—	— Prev. close —
£ spot	1.5635	1.5605
1 mth	1.5633	1.5603
3 mth	1.5631	1.5601
1 yr	1.5619	1.5483

■ **OTHER CURRENCIES**

Jan 9	£	$
Hungary	175.765 - 175.976	113.090 - 113.190
Iran	2717.27 - 2720.38	1748.00 - 1750.00
Kuwait	0.4659 - 0.4670	0.2998 - 0.3004
Poland	3.8109 - 3.8183	2.4520 - 2.4550
Russia	5821.80 - 5837.15	3745.00 - 3755.00
U.A.E.	5.7080 - 5.7108	3.8726 - 3.8731

POUND SPOT FORWARD AGAINST THE POUND

Jan 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0368	+0.0785	301 - 434	17.0838	16.9227	17.023	1.0	16.9824	1.3	-	-	115.9
Belgium	(BFr)	49.7448	-0.0589	142 - 753	49.9510	49.7040	49.7048	1.0	49.5898	1.2	48.9498	1.6	117.4
Denmark	(DKr)	9.5019	-0.0063	977 - 054	9.5462	9.4970	9.5034	-0.2	8.4961	0.2	9.4716	0.3	116.9
Finland	(FM)	7.4521	+0.0517	461 - 591	7.4850	7.4170	-	-	-	-	-	-	88.7
France	(FFr)	8.3410	-0.0092	387 - 433	8.3908	8.3359	8.3387	0.3	8.3322	0.4	8.2701	0.9	110.1
Germany	(DM)	2.4154	-0.004	146 - 162	2.4286	2.4146	2.4133	1.1	2.4076	1.3	2.3719	1.8	127.2
Greece	(Dr)	375.167	-0.69	029 - 305	376.651	375.011	-	-	-	-	-	-	-
Ireland	(I£)	1.0108	+0.001	103 - 113	1.0139	1.0085	1.0106	0.2	1.0108	0.0	1.0101	0.1	104.8
Italy	(L)	2533.80	+2.45	265 - 494	2537.03	2530.84	2538.55	-2.2	2548.2	-2.3	2591.20	-2.3	72.9
Luxembourg	(LFr)	49.7448	-0.0589	142 - 753	49.9510	49.7040	49.7048	1.0	49.5898	1.2	48.9498	1.6	117.4
Netherlands	(Fl)	2.7085	-0.003	071 - 098	2.7257	2.7070	2.7062	1.0	2.7001	1.2	2.6609	1.6	121.4
Norway	(NKr)	10.5493	-0.0131	452 - 533	10.6390	10.5096	10.5486	0.1	10.5478	0.1	10.5393	0.1	88.6
Portugal	(Es)	248.479	-0.539	361 - 597	249.598	248.319	249.299	-4.0	250.774	-3.7	-	-	-
Spain	(Pta)	208.083	+0.25	992 - 174	208.179	207.410	208.419	-2.0	209.143	-2.1	212.293	-2.0	83.4
Sweden	(SKr)	11.6894	+0.0019	800 - 987	11.7448	11.6022	11.7064	-1.7	11.7349	-1.6	11.8454	-1.3	75.3
Switzerland	(SFr)	2.0260	-0.0046	251 - 269	2.0352	2.0250	2.0222	2.3	2.0144	2.3	1.9648	3.0	122.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.5
Ecu	-	1.2712	-0.002	706 - 717	1.2776	1.2704	1.2708	0.3	1.2705	0.2	1.2626	0.7	-
SDR†	-	0.930810	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5549	+0.0009	545 - 552	1.5571	1.5522	-	-	-	-	-	-	-
Brazil	(R)	1.3135	+0.0101	117 - 153	1.3161	1.3064	-	-	-	-	-	-	-
Canada	(C$)	2.1844	+0.0068	837 - 851	2.1864	2.1713	2.1846	-0.1	2.1861	-0.3	2.197	-0.6	84.4
Mexico	(New Peso)	9.0055	-0.5696	487 - 622	8.7761	7.8462	-	-	-	-	-	-	-
USA	($)	1.5545	+0.001	542 - 547	1.5556	1.5487	1.5543	0.2	1.5542	0.1	1.5531	0.1	63.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0369	+0.0095	359 - 379	2.0388	2.0242	2.0398	-1.7	2.0465	-1.9	2.0832	-2.3	-
Hong Kong	(HK$)	12.0563	+0.0039	536 - 590	12.0855	12.0257	12.0253	5.1	12.0878	-1.0	12.0008	0.5	-
India	(Rs)	48.7631	+0.0352	514 - 748	48.7950	48.6140	-	-	-	-	-	-	-
Japan	(Y)	156.712	-0.645	646 - 776	157.340	156.530	156.182	4.1	155.137	4.0	149.192	4.6	186.9
Malaysia	(M$)	3.9681	+0.0045	669 - 693	3.9705	3.9564	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4407	+0.0024	383 - 430	2.4500	2.4317	2.4465	-2.8	2.4674	-2.7	2.4919	-2.1	-
Philippines	(Peso)	38.0841	+0.0556	671 - 011	38.4020	37.7670	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8307	+0.0031	293 - 320	5.8348	5.8135	-	-	-	-	-	-	-
Singapore	(S$)	2.2574	-0.001	562 - 585	2.2589	2.2536	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5226	-0.0035	205 - 246	5.5364	5.5175	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3422	+0.0274	256 - 587	6.3596	6.3228	-	-	-	-	-	-	-
South Korea	(Won)	1231.05	+1.41	077 - 132	1231.89	1226.46	-	-	-	-	-	-	-
Taiwan	(T$)	40.9839	+0.1126	742 - 936	41.0111	40.8191	-	-	-	-	-	-	-
Thailand	(Bt)	39.0945	+0.0563	728 - 163	39.1180	38.9520	-	-	-	-	-	-	-

†SDR rates for Jan 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9600	+0.0435	575 - 625	11.0025	10.9490	10.9525	0.8	10.936	0.9	10.8385	1.1	104.9
Belgium	(BFr)	32.0015	-0.0585	870 - 160	32.1810	31.9870	31.9815	0.7	31.9165	1.1	31.5985	1.3	106.4
Denmark	(DKr)	0.1125	-0.008	110 - 140	0.1443	0.1100	0.1132	-0.1	0.115	-0.2	0.0995	0.2	105.4
Finland	(FM)	4.7941	+0.0303	903 - 375	4.8169	4.7767	4.7918	0.8	4.7871	0.9	4.7666	0.8	83.0
France	(FFr)	5.3659	-0.0094	653 - 665	5.3995	5.3650	5.3652	0.2	5.3611	0.4	5.3259	0.7	106.4
Germany	(D)	1.5539	-0.0036	536 - 541	1.5635	1.5535	1.5627	0.9	1.5491	1.2	1.5272	1.7	107.8
Greece	(Dr)	241.350	-0.6	300 - 400	242.500	241.300	243.85	-12.4	248.1	-11.2	264.85	-9.7	68.4
Ireland	(I£)	1.5379	-0.0005	373 - 384	1.5390	1.5305	1.5381	-0.1	1.5376	0.1	1.5379	0.0	-
Italy	(L)	1630.03	+0.53	955 - 050	1634.00	1629.00	1633.43	-2.5	1639.53	-2.3	1668.53	-2.4	73.6
Luxembourg	(LFr)	32.0015	-0.0585	870 - 160	32.1610	31.9870	31.9815	0.7	31.9165	1.1	31.5965	1.3	106.4
Netherlands	(Fl)	1.7424	-0.0031	418 - 430	1.7539	1.7417	1.7412	0.9	1.7373	1.2	1.7137	1.7	106.1
Norway	(NKr)	6.7865	-0.0128	850 - 880	0.8475	9.7696	0.7828	0.7	0.777	0.6	0.7265	0.9	98.0
Portugal	(Es)	159.850	-0.45	800 - 900	160.650	159.800	160.425	-4.3	161.475	-4.1	164.975	-3.2	95.3
Spain	(Pta)	133.850	+0.075	800 - 900	134.060	133.500	134.095	-2.2	134.565	-2.1	136.7	-2.1	78.8
Sweden	(SKr)	7.5199	-0.0037	151 - 247	7.5632	7.4708	7.5311	-1.8	7.5504	-1.6	7.6274	-1.4	80.7
Switzerland	(SFr)	1.3034	-0.0038	030 - 037	1.3105	1.3021	1.301	2.2	1.2963	2.2	1.2673	2.8	107.7
UK	(£)	1.5545	+0.001	542 - 547	1.5556	1.5487	1.5543	0.2	1.5542	0.1	1.5531	0.1	87.9
Ecu	-	1.2229	+0.0027	225 - 232	1.2232	1.2167	1.2231	-0.2	1.2234	-0.1	1.2299	-0.0	-
SDR†	-	1.45547	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0003	-0.0001	002 - 003	1.0015	1.0003	-	-	-	-	-	-	-
Brazil	(R)	0.8450	+0.006	440 - 460	0.8480	0.8410	-	-	-	-	-	-	-
Canada	(C$)	1.4053	+0.0035	050 - 055	1.4057	1.3993	1.4054	0.0	1.4067	-0.4	1.4149	-0.7	01.4
Mexico	(New Peso)	5.1500	-0.37	500 - 500	5.6500	5.0500	5.151	-0.2	5.1528	-0.2	5.1602	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3104	+0.0053	099 - 108	1.3115	1.3055	1.3112	-0.7	1.313	-0.8	1.3257	-1.2	91.0
Hong Kong	(HK$)	7.7560	-0.0025	555 - 565	7.7585	7.7545	7.754	0.3	7.7528	0.2	7.7606	-0.1	-
India	(Rs)	31.3700	+0.0025	675 - 725	31.3725	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	100.815	-0.48	790 - 840	101.350	100.750	100.485	3.9	99.815	4.0	96.05	4.7	147.3
Malaysia	(M$)	2.5528	+0.0013	524 - 531	2.5541	2.5520	2.5497	1.4	2.5453	1.2	2.5733	-0.9	-
New Zealand	(NZ$)	1.5701	+0.0005	689 - 713	1.5773	1.5681	1.571	-0.7	1.5735	-0.8	1.5825	-0.9	-
Philippines	(Peso)	24.5000	+0.02	000 - 000	24.5500	24.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.0004	507 - 512	3.7515	3.7507	3.7548	-1.1	3.7615	-1.1	3.776	-0.7	-
Singapore	(S$)	1.4522	-0.0018	517 - 527	1.4535	1.4517	1.4507	1.3	1.4472	1.4	1.4307	1.5	-
S Africa (Com.)	(R)	5.5528	-0.0045	520 - 535	3.5640	5.5520	3.5683	-5.2	3.6004	-5.4	3.7653	-6.0	-
S Africa (Fin.)	(R)	4.0800	+0.015	700 - 900	4.0900	4.0700	4.108	-8.2	4.1525	-7.1	4.39	-7.6	-
South Korea	(Won)	791.950	+0.4	900 - 000	792.200	790.300	794.95	-4.5	798.45	-3.3	916.95	-3.2	-
Taiwan	(T$)	26.3655	+0.0555	635 - 675	26.3675	26.3420	26.3855	-0.9	26.4255	-0.9	-	-	-
Thailand	(Bt)	25.1500	+0.02	400 - 600	25.1600	25.1400	25.1795	-1.4	25.2705	-1.9	25.675	-2.1	-

†SDR rate for Jan 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 6. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 9	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	5¼	5⅜	5⅝	5⅝	6⅛	7.40	4.50	-
week ago	5¼	5⅜	5⅝	5⅞	6¼	7.40	4.50	-
France	5⅝	5⅝	5⅞	6¼	6⅞	5.00	-	6.40
week ago	5⅜	5⅝	6⅛	6½	7⅛	5.00	-	6.75
Germany	4.93	5.03	5.15	5.35	5.65	6.00	4.50	4.85
week ago	4.88	5.03	5.23	5.43	5.83	6.00	4.50	4.85
Ireland	5⅝	5¾	6⅛	6¾	7⅛	-	-	6.25
week ago	5⅛	5¾	6⅛	6⅞	7⅜	-	-	6.25
Italy	9⅛	8½	8¾	9⅝	10⅛	-	7.50	8.20
week ago	8⅝	8½	8⅞	9¼	10½	-	7.50	8.20
Netherlands	4.84	5.15	5.22	5.45	0.97	-	5.25	-
week ago	4.84	5.15	5.37	5.57	5.95	-	5.25	-
Switzerland	3⅜	3¾	4⅛	4¾	4⅞	6.625	3.50	-
week ago	3⅝	3¾	4⅛	4½	4⅞	6.625	3.50	-
US	5⅝	5¾	6⅝	9¾	7⅝	-	4.75	-
week ago	5½	5¾	6⅛	6⅞	7⅜	-	4.75	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅜	-	1.75	-
week ago	2¼	2⅛	2⅛	2⅛	2⅜	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	6⅜	6⅞	7⅜	-	-	-
week ago	-	5⅞	6½	7	7⅜	-	-	-
US Dollar CDs	-	5.71	0.17	6.68	7.41	-	-	-
week ago	-	5.71	6.00	6.54	7.34	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4¾	4⅞	5⅛	5⅝	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7 . $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4⅝	5⅛ - 4⅞	5⅜ - 5¼	5⅝ - 5½	5⅞ - 5¾	6¼ - 6⅛
Danish Krone	5¼ - 5	5⅞ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4⅞ - 4⅝	4⅞ - 4⅝	5 - 4⅞	5 - 4⅞	5⅜ - 5¼	5⅞ - 5⅝
Dutch Guilder	5⅛ - 5⅛	6⅛ - 5⅛	5⅛ - 5⅛	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞
French Franc	5⅝ - 5⅜	5⅝ - 5⅝	5⅞ - 5½	6 - 5⅞	6⅛ - 6⅜	7 - 6⅞
Portuguese Esc.	8⅞ - 8⅝	9⅜ - 9⅛	10½ - 10⅛	11⅛ - 10⅞	10¾ - 10¾	11¾ - 11¼
Spanish Peseta	8½ - 8⅜	8½ - 8⅜	8⅞ - 8⅝	9⅝ - 9⅜	9⅞ - 9⅝	10½ - 10⅜
Sterling	6⅛ - 9	6 - 5⅞	6⅛ - 6	6⅝ - 6⅛	7 - 6⅞	7⅞ - 7⅜
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3⅞	4¼ - 4⅛	4½ - 4⅜	4⅞ - 4⅝
Can. Dollar	5⅝ - 5⅜	5¾ - 5⅝	5⅞ - 5¾	6⅞ - 6⅝	7⅛ - 7½	8⅛ - 8⅛
US Dollar	5⅞ - 6⅛	5⅞ - 5⅝	6⅛ - 5¾	6⅛ - 6⅜	6⅞ - 6⅞	7⅞ - 7⅝
Italian Lira	8 - 7½	8⅞ - 8¼	8⅝ - 8⅜	9⅛ - 8⅞	9¼ - 9⅛	10⅝ - 10⅜
Yen	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2⅛ - 2⅜	2⅞ - 2⅞	2⅞ - 2⅝
Asian $Sing	3⅞ - 3⅝	4⅛ - 4¼	3⅞ - 3½	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	93.43	93.43	-	93.50	93.39	22,792	49,068
Jun	93.01	92.99	-0.92	93.06	92.96	7,6178	51,482
Sep	92.72	92.70	-0.02	92.76	92.68	3,886	31,677
Dec	92.40	92.45	-0.01	92.51	92.40	2,271	19,389

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar		92.92	0.01			0	1458
Jun	92.20	92.19	-0.01	92.21	92.20	172	441
Sep		91.80	-0.03			0	177
Dec		91.58	-0.04			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	94.51	94.53	-	94.58	94.51	27836	198219
Jun	94.06	94.07	-0.02	94.11	94.05	23990	137545
Sep	93.64	83.63	-0.04	93.69	93.62	10925	85774
Dec	93.22	93.22	-0.03	93.26	93.21	9521	67982

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	90.05	89.96	-0.11	90.16	89.80	11109	34479
Jun	89.45	89.38	-0.09	89.58	89.26	3570	19285
Sep	89.15	89.09	-0.08	89.26	89.03	2069	23433
Dec	88.98	88.84	-0.06	88.09	88.80	1877	15808

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	95.56	95.60	+0.02	95.61	95.56	3626	19226
Jun	95.29	95.28	+0.01	95.30	95.25	758	8199
Sep	95.01	94.98	-0.01	95.01	94.98	255	5471
Dec	94.79	94.74	-0.02	94.79	94.74	180	2670

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	93.30	93.32	-0.01	93.37	93.30	1260	8373
Jun	92.82	92.83	-0.01	92.88	92.81	826	4849
Sep	92.48	92.41	-0.03	92.46	82.41	150	2814
Dec	92.03	92.02	-0.04	92.06	92.03	61	1478

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.10	16.77	4.855	2.033	5094	5.444	21.21	489.6	418.4	23.50	4.073	2.010	4.391	3.124	315.0	2.555
Denmark	(DKr)	52.35	10	8.779	2.542	1.064	2667	2.850	11.10	261.6	219.0	12.30	2.132	1.053	2.299	1.636	164.9	1.338
France	(FFr)	59.63	11.39	10	2.895	1.212	3038	3.247	12.65	297.9	249.5	14.02	2.429	1.199	2.619	1.863	187.8	1.524
Germany	(DM)	20.60	3.934	5.454	1	0.419	1049	1.121	4.369	102.9	86.17	4.841	0.839	0.414	0.904	0.643	64.89	0.526
Ireland	(I£)	49.20	9.396	8.250	2.389	1	2506	2.679	10.44	245.0	205.6	11.56	2.004	0.989	2.160	1.537	155.0	1.257
Italy	(L)	1.963	0.375	0.329	0.095	0.040	100.	0.107	0.416	8.807	8.212	0.461	0.080	0.039	0.086	0.061	6.184	0.050
Netherlands	(Fl)	18.37	3.508	3.080	0.892	0.373	935.7	1	3.896	91.77	76.85	4.317	0.746	0.369	0.806	0.574	57.87	0.469
Norway	(NKr)	47.15	9.006	7.906	2.289	0.958	2402	2.567	10	235.5	197.3	11.08	1.920	0.948	2.070	1.473	148.5	1.205
Portugal	(Es)	20.02	3.823	3.357	0.972	0.407	1020	1.090	4.245	100.	83.74	4.704	0.815	0.402	0.879	0.625	63.08	0.511
Spain	(Pta)	23.90	4.566	4.008	1.160	0.486	1218	1.301	5.070	119.4	100.	5.617	0.974	0.481	1.049	0.747	75.30	0.611
Sweden	(SKr)	42.55	8.127	7.135	2.066	0.865	2168	2.317	9.025	212.6	178.0	10	1.733	0.855	1.868	1.329	134.0	1.087
Switzerland	(SFr)	24.55	4.690	4.117	1.192	0.499	1251	1.337	5.207	122.7	102.7	6.770	1	0.494	1.078	0.767	77.34	0.627
UK	(£)	49.74	9.501	8.341	2.415	1.011	2534	2.708	10.55	248.5	208.1	11.69	2.026	1	2.184	1.554	156.7	1.271
Canada	(C$)	22.77	4.350	3.819	1.106	0.463	1160	1.240	4.831	113.8	95.28	0.353	0.928	0.458	1	0.712	71.75	0.582
US	($)	32.01	6.114	5.367	1.554	0.651	1631	1.743	0.789	159.9	133.9	7.523	1.304	0.644	1.405	1	100.8	0.819
Japan	(Y)	31.74	6.063	5.323	1.541	0.645	1617	1.728	6.733	158.6	132.8	7.460	1.293	0.638	1.394	0.992	100.	0.811
Ecu		39.13	7.475	6.563	1.900	0.795	1994	2.131	8.301	195.5	163.7	9.197	1.594	0.787	1.718	1.223	123.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.6411	0.6436	+0.0029	0.6438	0.6411	43,308	74,791
Jun	0.6458	0.6461	+0.0026	0.6461	0.6458	35	1,982
Sep	-	0.6463	-0.0056	-	-	2	146

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.9941	0.9982	+0.0050	0.9995	0.9936	27,453	94,578
Jun	1.0100	1.0105	+0.0050	1.0110	1.0099	606	7,008
Sep	-	1.0182	-0.0051	-	-	10	350

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	0.7665	0.7682	+0.0021	0.7684	0.7658	24,407	36,355
Jun	0.7737	0.7737	+0.0023	0.7737	0.7737	98	591
Sep	0.7800	0.7800	+0.0025	0.7800	0.7800	9	60

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	1.5519	1.5534	+0.0046	1.5544	1.5504	21,957	55,311
Jun	-	1.5530	-	1.5550	-	23	555
Sep	-	1.5540	-	1.5640	-	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	9 - 5½	6⅛ - 5⅞	6⅛ - 5⅞	9⅜ - 6⅞	7⅛ - 6⅞	7⅞ - 7¾
Sterling CDs	-	-	5⅞ - 5⅞	6⅜ - 6⅜	9⅜ - 8⅞	7¼ - 7⅞
Treasury Bills	-	-	5⅞ - 5⅞	6¼ - 6⅛	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅝ - 6⅜	6⅞ - 6¾	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞	9⅜ - 6⅞	7⅛ - 6⅞	7⅞ - 7⅞
Discount Market deps	7 - 6¼	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 5.9033pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 26, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Mar	92.69	92.74	+0.04	92.79	92.69	35594	93584
Jun	91.93	92.01	+0.05	92.07	91.93	20713	70522
Sep	91.44	91.51	+0.06	91.56	91.44	11265	65675
Dec	91.13	91.19	+0.04	91.24	91.13	5134	47011

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.38	0.17	0.13	0.12	0.66	1.12
9275	0.20	0.11	0.10	0.21	0.85	1.34
9300	0.09	0.07	0.06	0.35	1.06	1.55

Est. vol. total, Calls 4930 Puts 1468. Previous day's open int., Calls 91516 Puts 86376

EMS EUROPEAN CURRENCY UNIT RATES

Jan 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.13482	-0.00035	-2.82	6.95	-
Belgium	40.2123	39.1965	-0.0122	-2.52	0.62	19
Germany	1.94964	1.90448	-0.00036	-2.32	8.39	-
Ireland	0.808628	0.795517	+0.001317	-1.62	7.63	11
France	9.53883	6.57619	+0.00102	0.57	5.28	-5
Denmark	7.43679	7.48689	-0.00002	0.70	0.14	-5
Portugal	192.854	195.825	-0.25	1.54	4.27	-10
Spain	154.250	163.320	+0.161	0.88	0.00	-41
NON ERM MEMBERS						
Greece	264.513	295.568	-0.251	11.75	-6.25	-
Italy	1793.19	1991.84	-1.44	11.08	-4.88	-
UK	0.786749	0.786253	+0.000637	-0.06	5.95	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	5.29	5.37	5.67	-	0.06	0.41
1.525	2.82	3.22	3.75	-	0.41	0.98
1.550	0.74	1.59	2.27	0.35	1.22	1.90
1.575	0.02	0.61	1.22	2.13	2.67	3.26
1.600	-	0.17	0.58	4.51	4.72	5.12
1.625	-	0.01	0.23	7.00	7.04	7.24

Previous day's vol., Calls 4,835 Puts 14,167 . Prev. day's open int., Calls 215,312 Puts 249,840

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	92.92	92.92	-0.01	92.93	92.90	241,605	454,124
Jun	92.21	92.20	-0.02	92.22	92.10	305,825	386,253
Sep	91.84	91.82	-0.02	91.84	91.80	155,992	293,879

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Mar	93.56	93.57	-0.03	93.58	93.57	3,476	13,172
Jun	92.89	92.89	-0.01	92.90	92.88	559	3,814
Sep	92.50	92.50	-0.04	92.50	92.50	883	1,429

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9450	0.07	0.12	0.16	0.10	0.04	0.09	0.13	0.53
9475	0	0.03	0.05	0.05	0.22	0.25	0.27	0.73
9500	0	0.01	0.01	0.03	0.47	0.48	0.48	0.96

Est. vol. total, Calls 6646 Puts 10160. Previous day's open int., Calls 128657 Puts 168208

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9550	0.19	0.19	0.10	0.09	0.39	0.67
9575	0.07	0.08	0.09	0.22	0.55	0.86
9600	0.03	0.04	0.04	0.43	0.76	1.06

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1396 Puts 1865

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

CONTRACTS & TENDERS

NATURAL RESOURCES INSTITUTE (NRI): CHANGE OF OWNERSHIP

The Natural Resources Institute (NRI), currently an Executive Agency within the Overseas Development Administration (ODA) and based at Chatham, Kent, is a major centre of research and technology transfer in renewable natural resources.

The ODA's aim is that the specialised services currently provided to the aid programme by NRI should continue on terms which ensure value for money through maintaining NRI as a multidisciplinary centre of international standing in the conservation, management and sustainable development of renewable natural resources. However it has decided that ODA should not continue as both owner and customer of NRI and it intends that ownership of NRI should transfer to another body.

The ODA therefore invites expressions of interest from any organisation, especially Universities, singly or in association with others, which is interested in assuming ownership of NRI.

TENDER PROCESS AND CRITERIA

Expressions of interest from any organisation should set out their initial qualifications and the rationale for their interest: in particular how the work of NRI would fit in with their current activities and how they would intend to develop NRI. Proposals may relate to ownership of the whole or particular parts of NRI's current activities: preference will be given to the former.

The ODA will consider expressions of interest received and select those which in its opinion are most likely to realise its objectives for the transfer of ownership taking account of scientific and value for money issues. Shortlisted bidders will be provided with an information memorandum as a basis for preparing fuller bids. ODA will make a choice based on these. ODA reserves the right not to proceed with the transfer or with discussions with particular bodies at any stage.

FURTHER INFORMATION AND TIMETABLE

A copy of NRI's annual report and accounts for 1993-94 and a short note with further information is available by writing to Mark Fitzpatrick, Sponsored Organisations and Scholarships Department, ODA, 94 Victoria Street, London SW1E 5JL (Telephone 0171 917 0531). Expressions of interest by any organisation should be sent to Sponsored Organisations and Scholarships Department, ODA to arrive no later than 30 January 1995.

OVERSEAS DEVELOPMENT ADMINISTRATION

BRITAIN HELPING NATIONS TO HELP THEMSELVES

LEGAL NOTICES

NO. 007061 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF MICHAEL SAMUELSON LIGHTING LIMITED

-and-

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY given that the Order of the High Court of Justice (Chancery Division) dated 14th December 1994 confirming the reduction of the authorised share capital of the above named Company from £2,250,100 to £610,234 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 15th December 1994.

Dated this 10th day of January 1995

Nabarro Nathanson
50 Stratton Street
London W1X 6NX

Tel: 0171 493 9933
Ref: IA/TYM/CIG/S1995/6
Solicitors for the above named Company

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 9 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Jan 9 / Frs.)

[illegible]

DENMARK (Jan 9 / Kr)

[illegible]

FINLAND (Jan 9 / Mka)

[illegible]

FRANCE (Jan 9 / Frs.)

[illegible]

GERMANY (Jan 9 / Dm.)

[illegible]

ITALY (Jan 9 / Lire)

[illegible]

NETHERLANDS (Jan 9 / Fls.)

[illegible]

NORWAY (Jan 9 / Kroner)

[illegible]

SPAIN (Jan 9 / Pts.)

[illegible]

SWEDEN (Jan 9 / Kronor)

[illegible]

SWITZERLAND (Jan 9 / Frs.)

[illegible]

PACIFIC

JAPAN (Jan 9 / Yen)

[illegible]

AUSTRALIA (Jan 9 / Aust$)

[illegible]

HONG KONG (Jan 9 / H.K.$)

[illegible]

MALAYSIA (Jan 9 / MYR)

[illegible]

SINGAPORE (Jan 9 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Jan 9 / Can $) 4 pm close

[illegible]

MONTREAL (Jan 9 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Jan 9 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, January 9, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sakai Ovex	2.6m	718	-18	Oki Electric	1.7m	673	-9
JGC Corp	2.2m	1680	+10	Nippon Paint	1.6m	712	+8
Taisho Phrm	2.1m	1860	+10	Toray Inds	1.5m	715	-4
Kawasaki Steel	1.9m	398	-12	Fuji Electric	1.4m	546	
Nippon Steel	1.6m	366		Mitsubishi Oil	1.4m	925	+3

INDICES

[illegible]

	Jan 6	Jan 5	Jan 4	High	Low
Japan					
Nikkei 225 (16/5/49)	19444.92	19519.46	19616.11	21552.81 13/6/94	17369.74 4/1/94
Nikkei 300 (1/10/82)	281.64	283.06	285.05	311.71 13/6/94	268.22 4/1/94
Topix (4/1/68)	1527.90	1535.84	1547.41	1712.73 13/6/94	1445.97 4/1/94
2nd Section (4/1/68)	2106.35	2112.26	2128.47	2549.86 6/7/94	1873.39 4/1/94
Malaysia					
KLSE Comp.(4/4/86)	937.05	955.43	985.89	1314.46 5/1/94	885.77 12/12/94

** Sat Jan 7: Taiwan Weighted Price (6915.40); Korea Comp Ex (968.80). Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 9 - 2063.41 -4.70.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1900.0	1870.0	-23.0	1906.0	1896.0	18,545	22,586
Feb	1906.5	1879.5	-23.0	1908.5	1882.9	384	1,097
Mar	1917.5	1888.5	-23.0	1921.0	1913.5	19	19,418

Open interest figures for previous day.

US INDICES

Dow Jones	Jan 6	Jan 5	Jan 4	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3867.41	3850.92	3857.58	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.84	93.86	93.84	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1501.37	1492.06	1484.14	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	184.35	183.30	184.22	227.06 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3902.40 (3876.83) Low 3823.67 (3825.35) (Theoretical♦) Day's high 3887.26 (3860.68) Low 3841.84 (3843.52) (Actual♦)

Standard and Poors	Jan 6	Jan 5	Jan 4	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	460.68	460.34	460.71	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.44	547.24	547.70	583.10 (28/10/94)	510.05 (21/4/94)	583.10 (28/10/94)	3.62 (21/6/32)
Financial	42.11	42.03	42.05	45.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	251.59	251.30	251.46	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.12	433.76	433.54	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	749.69	745.66	745.84†	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 6	Dec 30	Dec 23	Year ago
Dow Jones Ind. Div. Yield	2.78	2.79	2.78	2.65
	Jan 4	Dec 28	Dec 21	Year ago
S & P Ind. Div. yield	2.45	2.44	2.45	2.40
S & P Ind. P/E ratio	16.71	18.76	16.68	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	463.00	462.90	-0.10	463.10	462.45	68,815	201,475
Jun	466.95	467.40	-0.50	467.50	466.80	672	8,926
Sep	-	472.55	-0.35	-	-	139	2,700

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	8,952,800	36⅝	-1⅛
A T & T	5,450,200	48¼	-1⅜
Adv Micro	4,510,500	27⅞	+2⅝
Wal-Mart	4,310,300	22	+⅞
Chrysler	4,084,300	52⅞	+1
Motorola	3,848,900	58	+⅝
Gen Motors	3,570,900	43¼	+¼
RJR Nabisco	3,496,800	5⅞	-⅛
IBM	3,039,900	75⅛	+1⅛
Sprint Cp	2,287,600	27⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)	Jan 6	Jan 5	Jan 4
New York SE	308.075	309.732	319.466
Amex	22.200	18.416	23.812
NASDAQ	287.216	272.642	289.252
NYSE			
Issues Traded	2,933	2,922	2,938
Rises	1,222	1,130	1,411
Falls	960	1,082	937
Unchanged	751	710	590
New Highs	27	24	25
New Lows	62	35	66

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close January 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

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- F -

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- G -

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- H -

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- I -

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- K -

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- N -

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- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

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NYSE COMPOSITE PRICES

4 pm close January 9

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
17⅞	11	SFeGd			23	9942	11⅛	010⅞	11	-¼
34½	30⅛	SFePipe	2.80	8.1	8	86	u34½	34	34⅜	+¼
28¾	12⅛	SanFeP	0.10	0.6	14	8612	17¾	17½	17⅝	+⅛
28	19⅝	SaraLee	0.88	2.8	65	5541	25¾	25⅛	25¾	+⅝
50⅛	41	Scana Corp	2.82	6.6	12	345	42¾	42⅝	42⅝	-⅛
20⅞	12½	Scecrp	1.00	6.8	9	4761	15⅞	14⅞	15⅛	+¼
45½	31⅞	SchererRP			28	210	43⅝	43⅛	43⅝	-½
75⅞	54½	SchPl	2.04	2.8	15	4821	74	73	73	-1
63	50	Schlmb	1.20	2.3	25	10443	52½	51½	52⅜	+⅞
37	23¾	Schwab(C)	0.28	0.8	15	865	35⅜	34½	35⅛	+⅝
10¾	6½	Schwitzer			7	1561	8⅛	7⅞	8	+⅛
22¾	12½	SciAtl	0.06	0.3	38	4287	19⅝	18⅞	19¼	+¼
18¼	13	Scolman	0.18	0.0	12	583	17¼	17	17¼	+⅛
70⅝	37⅞	ScottP	0.80	1.1	21	5944	70½	69¾	70	
26⅝	18½	ScuddrNAsF	0.02	0.1		227	19⅝	19¼	18½	+½
12⅝	8¼	ScudderNuF	0.10	1.8		128	8	8⅞	8⅞	-⅛
18¾	12	SeaCnB	0.70	4.7	9	43	14⅞	14⅝	14¾	
18½	14⅞	SeaC1.4625	1.46	8.7		7	15⅝	15⅛	15⅛	
27½	22⅞	S'gate			8	8985	u27½	26¾	27½	+1⅝
32⅝	26¾	Seagrm	0.60	2.0	14	1806	29⅞	29¼	29⅞	+⅛
29¾	17⅝	Seagull En			31	1128	18⅞	18⅜	18⅞	-⅛
37¼	26⅝	Sealed Air			21	147	u37¼	36½	36⅝	-⅝
55⅛	42⅛	SearsR	1.60	3.4	14	4493	47¾	46⅞	46⅞	-⅞
13⅞	9¾	Seligm Sel	0.84	7.7		102	10⅞	10¼	10⅞	
39¾	28	Sensormat	0.22	0.6	28	3215	34⅛	33⅝	34	+⅛
39¾	17⅝	SequaA	0.60	2.5	8	14	23⅞	23½	23⅝	-⅛
40¼	21	SequaB	0.50	1.9	13	8	26	26	26	-½
28	22½	ServCp	0.42	1.6	18	2035	27	26¾	26⅞	-¼
28⅞	21½	SvMstr	0.92	4.0	13	398	23⅛	22⅞	22⅞	-¼
25	12⅞	Shaw Ind	0.22	1.6	16	1478	15⅛	15	15⅛	+⅛
[illegible]										

NASDAQ NATIONAL MARKET

4 pm close January 9

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

4 pm close January 9

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

AMERICA

Mexico losses extended in weak region

Mexico

Mexican equities extended heavy losses by mid-morning, affected by arbitrage operations, as the peso showed early gains against the dollar.

The IPC index was down 81.45 or 3.6 per cent at 2,173.48, in low turnover of 342.5m pesos.

The Mexican government began to use credit lines with the US Federal Reserve and the Bank of Canada to intervene in the currency market, helping to steady the peso.

The Bank of Mexico announced yesterday that it would buy up subordinated debt from banks having trouble meeting capitalisation requirements because of the country's economic crisis.

The banking sector has been badly affected by the current crisis which followed the devaluation of the peso on December 20.

● Shares in São Paulo were down 6.4 per cent in midday trade as investors reacted to unconfirmed reports that the banking sector in Brazil and Argentina faced difficulties after the recent plunge in stock and debt prices.

The Bovespa index was off 2,471 at 35,803 by 1 pm in turnover of R$164.1m ($194m).

The stock exchange confirmed yesterday the re-election for a fifth term as president of Mr Alvaro Augusto Vidigal.

● The Buenos Aires equity market felt the strain as the region went into freefall once more, with the Merval index down 5 per cent at midsession at 413.73. Turnover was a thin 6.3m pesos.

Wall Street

US share prices were mixed yesterday morning as traders watched a falling bond market and awaited important economic news due out today and Wednesday, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average bad lost 8.42 at 3,858.99 and the more broadly based Standard & Poor's 500 was down 0.56 at 460.12. The American Stock Exchange composite rose 0.56 to 433.68 and the Nasdaq composite was up 1.36 on the morning, at 751.05.

Volume on the NYSE was a light 168m shares, ahead of December statistics due from the Labor department today on the producer price index and tomorrow on the consumer price index. Through most of last year both figures held relatively steady, but inflationary pressures were seen in components of the PPI.

Many market players fear the data could spur the Federal Reserve to undertake more or stronger monetary tightening. High interest rates tend to hurt the market because they deter consumer spending and corporate borrowing.

The Nasdaq was aided by Lotus Development, which jumped $2¼ at $42¼ on rumours that AT & T, the communications giant, might be interested in buying the software company. AT & T shares were trading up $¼ at $48⅝. Other software companiea were mostly higher yesterday. Oracle Systems was up $⅝ at $43⅞, Sybase $¼ at $49⅛ and Novell was unchanged at $17⅞.

American depository shares of Mexican companies bounced back slightly from their lows after the Federal Reserve Bank of New York announced it was intervening in the currency markets to bolster the beleaguered peso. Telmex pushed up $⅝ at $37¼, Coca-Cola Femsa rose $½ at $21⅜ and Grupo Tribasa picked up $¼ at $12½. Grupo Televisa was down $¼ $26⅞.

Shares of Pet, the food company, soared $5½ at $25⅜ on news that the company would be acquired by Grand Metropolitan of the UK for $26 a share.

Canada

Toronto marked time at midday as investors hoped that the US producer and consumer price figures for December, due today and tomorrow, would provide renewed direction for the market.

The TSE-300 index edged 2.19 higher at noon to 4,153.84 in thin volume of 22.8m shares.

Of the market's 14 sub-indices, eight posted losses by midday, led by the transport group and the communications and media index.

Strong sectors included gold and precious metals.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.84	+1.20	-13.64	-12.36	-6.78	-2.11
Belgium	-0.13	-0.14	-9.81	-8.94	-2.21	+2.68
Denmark	+0.94	+4.57	-10.64	-7.91	-2.63	+2.24
Finland	+1.93	+3.85	+19.60	+25.93	+45.79	+53.08
France	+0.09	-2.40	-16.47	-15.92	-12.05	-7.64
Germany	-2.46	+1.10	-8.81	-11.03	-5.54	-0.81
Ireland	+2.72	+7.55	-0.81	+4.36	+8.51	+13.94
Italy	+0.78	+8.00	+7.69	+4.81	+4.87	+10.12
Netherlands	-0.28	+2.31	-5.10	-2.96	+2.84	+7.98
Norway	-2.52	+1.62	-0.47	+4.03	+9.59	+15.07
Spain	-1.13	-6.72	-13.90	-13.77	-12.26	-7.87
Sweden	+2.87	+3.42	+5.61	+7.98	+13.93	+19.63
Switzerland	-0.36	+1.62	-11.54	-9.43	-2.01	+2.90
UK	-0.05	+2.90	-10.18	-10.19	-10.20	-5.70
EUROPE	-0.25	+1.63	-9.28	-8.96	-5.94	-1.23
Australia	-2.26	+0.47	-13.17	-12.02	-5.41	-0.68
Hong Kong	-6.03	-1.08	-35.01	-37.29	-40.52	-37.54
Japan	-1.43	+1.93	+4.24	+6.27	+11.52	+17.09
Malaysia	-2.64	+3.63	-23.56	-25.22	-24.80	-21.04
New Zealand	-0.46	-0.43	-8.99	-8.76	-2.12	+2.77
Singapore	-0.72	+6.06	-8.31	-8.69	-3.76	+1.06
Canada	-1.35	+2.90	-3.09	-0.41	-10.42	-5.94
USA	+0.46	+3.12	-0.72	-0.67	-5.40	-0.67
Mexico	-4.18	-3.92	-11.54	-9.67	-51.70	-49.29
South Africa	-2.02	+1.36	+12.77	+17.30	+17.89	+23.79
WORLD INDEX	-0.63	+2.06	-3.30	-2.70	-2.72	+2.15

† Based on January 6, 1995.

EUROPE

Doubts over prospects as $ weakness hits Paris

Strategists differed on detail yesterday, *writes Our Markets Staff*. Both Mr Marcus Grubb, at Salomon Brothers, and Mr François Langlade-Demoyen, at CS First Boston, liked European equities; but Mr Grubb overweighted Germany for its cyclical potential, keeping France neutral.

Mr Langlade-Demoyen strongly overweighted France, due to attractive valuations and a late business cycle, moving Germany from underweight to neutral. On the day, bourses were mostly weak.

PARIS fell sharply as dollar weakness hurt the market and some foreign investors took profits, the CAC-40 index retreating 22.18 or 1.2 per cent to 1,864.22 in turnover of some FFr2.2bn.

Mr Ian Furnivall, Hoare Govett's French strategist in Paris, said he was not optimistic for the first-half performance of the market, and forecast that the CAC-40 index could test a low of 1,750 between now and May.

Investors were likely to be increasingly unsettled by what could be a vituperative presidential election campaign, he said; while there were fears that the wave of recent corruption scandals – while not as bad as in Italy – could worsen. "There is a fear in the market that the whole political stage could be corrupt to the core," he remarked.

Weakness in bonds and the French franc, he added, was also a major factor in the market downturn, while lack of liquidity was going to be a problem in the first half.

Générale des Eaux, the utilities and communications group, was among the main fallers, off FFr22 or 4.3 per cent at FFr495, although there were reports in the domestic media that Bouygues, the construction company, unchanged at FFr514, could make a bid.

Among second line stocks, Navigation Mixte, the industrial group, went against the trend, gaining FFr29 or 3 per cent at FFr980 after reporting that it expected to see a rise in 1994 profits.

FRANKFURT did better than most, the Dax index moving forward 5.26 to 2,059.8 on the session and Ibis trading producing a relatively modest fall to 2,053.41 after hours.

FT-SE Actuaries Share Indices

Jan 9								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	
FT-SE Eurotrack 100	1333.52	1333.23	1332.06	1329.55	1328.71	1327.04	1324.66	1323.64
FT-SE Eurotrack 200	1388.18	1388.27	1386.35	1384.44	1384.35	1382.14	1379.49	1380.11
	Jan 6	Jan 5	Jan 4	Jan 3	Dec 30			
FT-SE Eurotrack 100	1327.39	1328.95	1337.95	1332.56	1333.22			
FT-SE Eurotrack 200	1384.14	1379.66	1390.68	1388.41	1390.02			

Base 1000 (26/10/90): Highday: 100 - 1333.52; 200 - 1388.65 Lowday: 100 - 1323.60 200 - 1379.89 † Partial

Its cyclicals yesterday did seem to give the market a degree of stability. In the automotive sector, BMW rose DM3 to DM758 and Continental, the tyremaker, appreciated DM3.20 to DM219.50.

However, it was a modified "defensive" stock – Viag, with its high utility content enhanced by last week's sale of its papermaking subsidiary PWA to SCA, of Sweden – which gave the market something to talk about.

Press conferences scheduled for today by both Viag and British Telecom yesterday were expected to precede a joint attack on the German telecommunications market. Viag shares rose another DM10 to DM492.50.

MADRID shivered as rumour followed rumour in a market obsessed with political scandal. The general index bit a new 1994-95 low, tumbling 4.14 to 279.59 in turnover of Pta29bn.

Mr Felipe González, the Spanish prime minister, was due to be interviewed on television yesterday evening. Meanwhile, pressure on the peseta, and its implications for interest rates once again hit electric utilities, which, said Mr David Joel of brokers FG, have about 70 to 75 per cent of their short term debt in variable rate instruments. Sevillana, Fensosa and Iberdrola fell by 3.2, 3.5 and 3.7 per cent, to Pta537, Pta492 and Pta759.

MILAN was 1.7 per cent lower in thin, speculative trade, the Comit index losing 11.14 to 633.81 although a pending decision from the constitutional court on electoral reform could delay new elections, a move likely to be welcomed by the market.

The nervous mood was compounded by the Bank of Italy governor, Mr Antonio Fazio, who linked a rise in short-term interest rates with the control of inflation, which hit the lira and also took shares lower.

Banks remained at the centre of attention. Credito Italiano slipped L48 to L1,799 in heavy volume of 22.1m shares. Weekend newspaper reports suggested that it might have found a partner to launch a revised bid for Credito Romagnolo, to challenge Cariplo's L21,500 a share offer for 70 per cent which will be launched tomorrow. Rolo edged up L84 to L19,361.

ZURICH edged lower in response to the weak dollar, the SMI index losing 5.0 to 2,617.3. Nestlé fell SFr14 to SFr1,219 in largely technical trade ahead of the expiry of a warrant issue next week.

UBS was supported by the issue of new warrants, picking up SFr14 to SFr1,042 as Mr Martin Ebner's BK Vision investment fund confirmed that it had filed a formal legal challenge to the bank's plan to unify its share structure.

AMSTERDAM weakened in late trade after a positive opening. The AEX index slipped 0.60 to 414.57.

The publishing sector was lower, with Elsevier down 40 cents or 2.2 per cent at Fl 17.50, while VNU lost Fl 3.20 to Fl 179.30 and Wolters Kluwer 50 cents to Fl 125.40.

KPN went against the trend, up 70 cents at Fl 57.20, following a statement at the weekend that it had seen a 11 per cent rise in profit during 1994.

HELSINKI gained 2.4 per cent, boosted by gains in the heavily-weighted Nokia after the share's strong performance on Wall Street last Friday.

The Hex index rose 44.8 to 1,930.5, Nokia firming FM31 to FM736 as it continued to benefit from news that the company had been awarded the contract by Omnitel to provide the infrastructure for Italy's second cellular network.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Property price worries prompt 2% fall in Hong Kong

Hong Kong

Equities in Hong Kong posted further steep losses amid continuing worries about falling property prices. The Hang Seng index added to Friday's 3 per cent drop, tumbling 154.37 or 2 per cent to 7,528.88, in turnover that fell to HK$2.4bn from Friday's HK$2.9bn.

Several leading developers have cut the prices of new flats, triggering falls in a number of property-related stocks to 12-month lows. These included Cheung Kong, which weakened HK$1.10 to HK$28.15, its Hutchison associate, surrendering HK$1.30 to HK$27.35, and Sun Hung Kai Properties, finishing HK$1.90 lower at HK$39.40.

Fears of rising interest rates and a looming Sino-US trade war have added to the market's gloom.

Tokyo

Investor confidence slipped further as trading volume dropped to a two-year low and the Nikkei index declined for the fifth consecutive day, *writes Emiko Terazono in Tokyo.*

The 225 average receded 74.54 to 19,444.92 as small-lot profit-taking by corporations and individual investors, buyers on margin six months ago, depressed shares.

Volume fell to 120m shares, the lowest since December 28, 1992, as most domestic institutions and overseas investors remained inactive.

The index rose to a high for the day of 19,523.86 just before the end of the morning session, but fell to a low of 19,434.12 in the afternoon. The Topix index of all first section stocks slipped 7.74 to 1,527.90, while the Nikkei 300 declined 1.52 to 281.54. Falls outscored advances by 585 to 343, with 215 issues unchanged. In London the ISE/Nikkei 50 index edged ahead 0.74 to 1,271.82.

The lack of fresh news and low activity in the first section prompted some private investors to explore the over-the-counter market. The Nikkei OTC index rose 12.06 to 1,795.99 on a preliminary basis.

A weak yen failed to support high-technology stocks dependent on exports. Hitachi retreated Y8 to Y987, Matsushita Electric Industrial dipped Y10 to Y1,600 and Sony declined Y30 to Y5,600.

Sakai Ovex, the synthetic fabric maker, was the most active issue of the day, shedding Y18 to Y718. The stock had been supported previously by short-term speculators. Konica, also a speculative favourite, lost Y6 at Y819.

Increasing worries over brokers' earnings in slack trading conditions hit Nomura Securities, which eased Y10 to Y1,990, and Nikko Securities, Y20 cheaper at Y1,040.

Foreign buying, however, supported privatisation stocks. Nippon Telegraph and Telephone rose Y6,000 to Y866,000 and Japan Tobacco advanced Y3,000 to Y969,000.

In Osaka, the OSE average dipped 61.65 to 21,312.78 in volume of 33.7m shares.

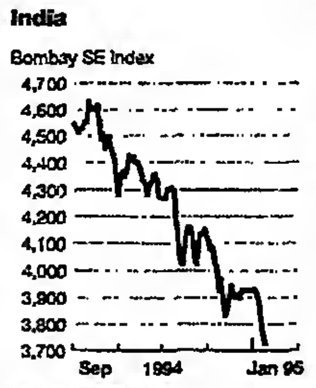
Roundup

Much of the region was under pressure yesterday.

BOMBAY fell 1.45 per cent as foreign mutual funds, which have been setting the trend for more than a year, and big domestic individual investors mounted unrelenting selling pressure on worries about the outcome of next month's elections in five states.

The BSE 30-share index lost 54.42 at 3,711.20, with the mood also soured by news that the Industrial Development Bank of India's $696m equity offering, due to begin on January 27, had been postponed.

India



Source: Datastream

Mr Jeff Chowdhry at Foreign & Colonial in London said that while the postponement might have a negative short-term effect on the market, he believed that the move demonstrated a realistic approach by the company towards raising capital in a market facing calls for an unprecedented $3bn to $4bn during the first quarter of the year.

SYDNEY was undermined by a drop of 2.5 per cent in the price of gold, while a fall in News Corporation also affected sentiment. The All Ordinaries index lost 8.8 at 1,858.9 in light turnover of A$267m.

News Corp shed 15 cents to A$4.72 amid worries that its preference stock might be excluded from the index, concerns over the effect of higher newsprint prices on earnings and worries over the weakness of shares in UK quoted BSkyB.

Plutonic Resources, the gold miner, was heavily affected by the weaker bullion price, finishing 45 cents or 8.7 per cent down at A$4.70.

MANILA declined in the absence of support from overseas institutions. The composite index fell 51.24 or 1.85 per cent to 2,704.98.

Most of the session's trading was concentrated on property issues, following Friday's successful 39bn pesos land auction, the biggest of its kind for a decade.

Metro Pacific, a unit of Hong Kong-based First Pacific and which was the winning bidder, rose sharply in early trade, seeing a session's high of 4.35 pesos, before closing unchanged at 3.50 pesos. JG Summit Holdings, which was an unsuccessful bidder, tumbled 13.8 per cent to 7.50 pesos.

KUALA LUMPUR lost 1.9 per cent as selling pressure by foreign funds accelerated. The composite index dropped 18.38 to 937.05 in light volume of 61m shares which tended to exaggerate price movements.

TAIPEI retreated in thin trade as most investors stayed cautious. The weighted index slipped 46.32 to 6,869.08 in turnover of T$49bn.

JAKARTA reflected the mood elsewhere in the region, the official index falling 4.18 to 477.04, while Bukaka, a design-engineering, construction and manufacturing company, rose almost 4 per cent on its debut, closing at Rp3,325 with 2.5m shares changing hands.

SEOUL was higher for the second straight trading day as improved demand for lower priced shares, especially financials, far outweighed consolidation of blue chips. The composite index closed 9.52 up at 998.32 after touching 1,001.46.

COLOMBO advanced afresh on improved domestic buying of bank, finance and manufacturing issues. The all-share index added 21.85 at 1,042.73 in turnover that rose by nearly 50 per cent to SLRs128.33m, with local investors encouraged by the president's statement on Friday that the government planned to sell stock in state-owned ventures, and the announcement of a truce with Tamil Tiger rebels.

Bullion dampens S Africa

Equities were affected by the sharp fall in the bullion price, reflected in a 3.4 per cent decline in the golds index, off 63.3 at 1,807.3, its lowest close since May 1994. The overall index lost 51.1 at 5,716.9 and industrials 14.8 at 6,953.4.

Some analysts said the market was hopeful that the gold price would hold its current support level of $372 an ounce, but a break below that could lead to further declines.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JANUARY 6 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JANUARY 5 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.73	-0.2	158.17	106.12	134.20	143.85	0.0	4.01	166.06	157.49	106.04	134.14	143.91	189.15	161.21	170.46
Austria (16)	181.07	0.2	172.80	115.94	146.62	145.98	0.0	1.11	180.68	171.33	115.36	145.92	145.98	198.89	157.46	187.17
Belgium (35)	167.01	0.3	159.38	106.94	135.23	132.04	0.6	4.18	166.52	157.90	106.32	134.49	131.29	177.04	150.78	164.66
Brazil (28)	146.37	-3.8	139.69	93.72	118.52	226.05	-4.1	1.00	152.22	144.35	97.19	122.94	235.78	–	–	–
Canada (103)	127.73	-0.1	121.89	81.78	103.42	129.65	-0.2	2.66	127.91	121.29	81.66	103.30	129.85	145.31	120.64	139.76
Denmark (33)	252.74	-0.9	241.20	161.83	204.65	210.39	-0.7	1.41	255.16	241.96	162.91	206.08	211.78	275.79	238.61	256.21
Finland (24)	188.59	-0.1	179.98	120.76	152.71	188.55	0.0	0.73	188.82	179.05	120.56	152.50	188.55	201.41	130.66	130.68
France (102)	162.51	0.3	155.09	104.06	131.59	137.03	0.7	3.13	162.02	153.64	103.44	130.86	136.12	186.37	159.34	177.01
Germany (58)	139.11	-0.7	132.76	89.06	112.64	112.64	-0.5	1.85	140.16	132.90	89.48	113.19	113.19	150.40	128.37	137.78
Hong Kong (56)	305.60	-3.2	291.65	195.68	247.46	304.41	-3.0	4.09	315.64	299.31	201.53	254.93	313.98	493.01	305.60	472.32
Ireland (16)	211.02	0.5	201.39	135.12	170.87	193.27	0.9	3.30	210.07	199.20	134.13	169.97	191.51	218.60	177.58	196.87
Italy (59)	75.53	-0.4	72.08	48.36	61.16	91.91	0.0	1.72	75.86	71.94	48.44	61.27	91.91	97.78	65.87	67.68
Japan (484)	152.37	-1.0	145.42	97.56	123.38	97.56	-0.7	0.76	153.91	145.95	98.27	124.31	98.27	170.10	131.55	131.55
Malaysia (97)	467.06	-1.1	445.74	299.06	378.20	458.96	-1.1	1.63	472.34	447.90	301.57	381.49	463.88	594.76	430.71	592.53
Mexico (18)	1210.92	-1.7	1155.63	775.35	980.51	7308.26	-0.5	1.40	1232.34	1168.58	786.80	995.29	7343.20	2647.08	1197.98	2433.51
Netherland (19)	214.99	-0.1	205.18	137.66	174.09	171.26	0.2	3.37	215.12	203.99	137.35	173.74	170.96	223.30	191.28	203.43
New Zealand (14)	69.79	0.1	66.61	44.69	56.51	58.17	0.3	5.03	69.74	66.14	44.53	56.33	57.97	77.59	62.06	67.66
Norway (23)	206.72	-1.6	197.28	132.36	167.38	190.77	-1.3	1.73	210.11	199.24	134.15	169.69	193.24	214.65	177.53	188.54
Singapore (44)	371.42	-1.2	354.47	237.82	300.76	248.84	-1.1	1.72	375.94	356.49	240.03	303.63	251.72	401.38	294.66	369.84
South Africa (59)	330.70	-0.1	315.60	211.76	267.77	293.82	0.2	2.24	331.14	314.01	211.42	267.44	233.13	342.00	205.55	277.22
Spain (36)	128.38	-0.7	122.52	82.20	103.95	130.10	0.0	4.45	129.26	122.57	82.53	104.40	130.10	155.79	128.38	137.24
Sweden (48)	234.92	-1.2	224.20	150.42	190.23	261.85	0.0	1.49	237.76	225.47	151.81	192.03	261.65	242.81	198.70	204.37
Switzerland (47)	164.78	0.0	157.26	105.51	133.43	133.54	0.1	1.63	164.81	156.28	105.22	133.11	133.39	176.56	149.91	165.14
Thailand (46)	156.95	-1.3	149.79	100.50	127.09	153.08	-1.3	2.49	158.98	150.75	101.50	128.40	155.04	-	-	-
United Kingdom (205)	193.36	0.3	184.53	123.81	156.57	184.53	1.0	4.17	182.72	182.75	123.05	155.65	182.75	214.96	181.11	206.14
USA (513)	188.63	0.1	180.02	120.78	152.74	188.63	0.1	2.94	188.41	178.66	120.29	152.17	188.41	196.04	178.95	189.99
Americas (662)	174.24	0.0	166.29	111.57	141.09	146.07	0.0	2.89	174.19	165.18	111.21	140.68	146.00	–	–	–
Europe (723)	197.48	-0.1	159.84	107.24	135.61	150.24	0.4	3.10	167.57	158.90	106.99	135.34	149.63	178.58	160.58	170.72
Nordic (128)	226.87	-1.0	216.51	145.28	183.70	214.77	-0.2	1.36	229.14	217.28	146.30	185.06	215.22	233.91	197.58	197.58
Pacific Basin (809)	159.33	-1.1	152.06	102.02	129.02	106.09	-0.8	1.15	161.06	152.73	102.83	130.09	106.96	178.86	145.89	146.07
Euro-Pacific (1532)	162.63	-0.6	155.21	104.13	131.69	123.52	-0.3	1.99	163.66	155.21	104.50	132.19	123.66	175.14	155.32	156.17
North America (618)	184.65	0.1	176.41	115.36	149.68	184.57	0.1	2.93	184.65	175.10	117.90	149.14	184.38	192.73	175.67	186.87
Europe Ex. UK (518)	149.93	-0.3	143.08	96.00	121.40	129.94	0.1	2.49	150.34	142.56	95.99	121.42	129.83	159.12	144.12	148.53
Pacific Ex. Japan (325)	229.52	-1.5	219.05	146.97	185.86	201.68	-1.4	3.30	233.01	220.96	148.77	188.20	204.47	291.75	224.17	284.09
World Ex. US (1740)	163.54	-0.7	156.07	104.71	132.42	126.93	-0.3	2.00	164.60	156.09	105.09	132.94	127.32	176.65	157.61	158.54
World Ex. UK (2048)	168.61	-0.5	160.91	107.96	136.53	141.96	-0.3	2.13	169.39	160.91	108.14	136.80	142.35	178.59	164.27	164.48
World Ex. Japan (1769)	182.48	-0.1	174.15	116.84	147.76	174.23	0.1	2.98	182.69	173.24	116.64	147.55	174.09	195.20	176.34	188.84
The World Index (2253)	170.79	-0.4	162.99	109.36	138.29	146.80	-0.2	2.33	171.44	162.57	109.48	138.46	146.03	180.80	166.19	168.10

Latest prices were unavailable for this edition. Constituent change 6/1/95: Name change: Commerce Clearing House to CCH Inc. Class "A". Markets closed 6/1/95: Austria, Finland, Italy, Spain and Sweden.

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